KPMG

GARANTİ FAKTORİNG A.Ş.

Financial Statements
As at and for the Year Ended
31 December 2021
With Independent Auditors' Report

*(Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish)*

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Convenience Translation of the Review Report Originally Prepared and Issued in Turkish

To the Board of Directors of Garanti Faktoring A.Ş.

A) Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Garanti Faktoring A.Ş. ("the Company") which comprise the statement of financial position as at 31 December 2021 and the statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity, statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Garanti Faktoring A.Ş. as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies and Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies published in the Official Gazette dated 24 December 2013 and numbered 28861, other regulations, communiqués and circulars published by the Banking Regulation and Supervision Board ("BRSA") and the pronouncements made by the Banking Regulation and Supervision Agency and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations together "the BRSA Accounting and Financial Reporting Legislation".

Basis for Opinion

We conducted our audit in accordance with Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We declare that we are independent of the Company in accordance with the Code of Ethics for Auditors issued by POA (including Independence Standards) ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of factoring receivables

Refer to Note 2.5 for the details of accounting policies and significant judgments of for impairment of factoring receivables.

Key audit matter	*How the matter is addressed in our audit*
Impairment of factoring receivables As at 31 December 2021, factoring receivables comprise 95% of the Company's total assets. The Company recognizes its factoring receivables in accordance with BRSA Accounting and Financial Reporting Legislation and TFRS 9 Financial Instruments standard ("Standard"). As of 1 January 2019, due to the adoption of the Regulation and Standard, in determining the impairment of loans, the Company started to use "expected credit loss model" rather than the "incurred loss model". The new model contains significant assumptions and estimates. The significant assumptions and estimates of the Company's management are as follows: - design and implementation of expected credit loss model. The determination of the impairment of loans measured at amortised cost depends on the (i) credit default status, (ii) the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets. The Company calculates expected credit losses on both an individual and a collective basis. Individual provisions consider the estimated future performance of the business and the fair value of the collateral provided for credit transactions. The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and expectations. Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions, the level of judgements and its complex structure as explained above.	Our procedures for testing the impairment of factoring receivables include below: • We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists. • We evaluated the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows and we tested the appropriateness of the loan agreements with the model by selecting samples. • We evaluated the accuracy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis and discussed the assumptions and estimates with the Company management. • We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation was tested through recalculation. The models used for the calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated. • We evaluated the qualitative and quantitative assessments which are used in determining the significant increase in credit risk. Additionally, we also evaluated the adequacy of the financial statements' disclosures related to impairment provisions.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the "BRSA Accounting and Financial Reporting Legislation", and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Standards on Auditing issued by POA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Group on 1 February 2022.

2) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2021 are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Alper Güvenç, SMMM
Partner

1 February 2022
İstanbul, Turkey

Additional paragraph for convenience translation to English:

The accounting principles summarized in Note I Section Three, differ from the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

GARANTİ FAKTORİNG A.Ş.

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

	ASSETS	Notes	Audited 31 December 2021			Audited 31 December 2020		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	**CASH, CASH EQUIVALENTS AND CENTRAL BANK**	3	130,623	22,319	152,942	2,258	10,147	12,405
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT ANDLOSS (net)**	4	-	15	15	39,661	9	39,670
III.	**DERIVATIVE FINANCIAL ASSETS**	5.1	-	-	-	1,921	-	1,921
IV.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (net)**		-	-	-	-	-	-
V.	**FINANCIAL ASSETS AT AMORTISED COST (Net)**	6	2,837,932	1,308,255	4,146,187	2,081,449	707,398	2,788,847
5.1	**Factoring Receivables**	6.1	2,838,707	1,309,190	4,147,897	2,086,089	708,240	2,794,329
5.1.1	**Discounted Factoring Receivables (Net)**		1,695,813	354,997	2,050,810	1,010,724	163,041	1,173,765
5.1.2	Other Factoring Receivables		1,142,894	954,193	2,097,087	1,075,365	545,199	1,620,564
5.2	**Financing Loans**		-	-	-	-	-	-
5.2.1	Consumer Loans		-	-	-	-	-	-
5.2.2	Credit Cards		-	-	-	-	-	-
5.2.3	Installment Commercial Loans		-	-	-	-	-	-
5.3	**Leasing (Net)**		-	-	-	-	-	-
5.3.1	Receivables From Finance Lease		-	-	-	-	-	-
5.3.2	Receivables From Operating Lease		-	-	-	-	-	-
5.3.3	Unearned Income (-)		-	-	-	-	-	-
5.4	**Other Financial Assets At Amortised Cost**		-	-	-	-	-	-
5.5	**Non Performing Receivables**	6.2	49,136	19,567	68,703	118,959	13,281	132,240
5.6	**Allowances for Expected Credit Loss/Specific Provisions (-)**	6.3	(49,911)	(20,502)	(70,413)	(123,599)	(14,123)	(137,722)
VI.	**SHAREHOLDING (Partnership) INVESTMENTS**		-	-	-	-	-	-
6.1	Investments In Associates (Net)		-	-	-	-	-	-
6.2	Investments In Subsidiaries (Net)		-	-	-	-	-	-
6.3	Investments In Joint Ventures (Net)		-	-	-	-	-	-
VII.	**TANGIBLE ASSETS (NET)**	7	6,921	-	6,921	5,054	-	5,054
VIII.	**INTANGIBLE ASSETS (NET)**	8	11,058	-	11,058	11,244	-	11,244
IX.	**REAL ESTATES FOR INVESTMENT (NET)**		-	-	-	-	-	-
X.	**CURRENT PERIOD TAX ASSETS**	9	-	-	-	3,420	-	3,420
XI.	**DEFERRED TAX ASSETS**	9	28,591	-	28,591	43,661	-	43,661
XII.	**OTHER ASSETS**	10	9,407	777	10,184	5,788	542	6,330
	SUBTOTAL		3,024,532	1,331,366	4,355,898	2,194,456	718,096	2,912,552
XIII.	**ASSETS HELD FOR SALE AND DISCONTINIUED OPERATIONS (Net)**		11	-	11	11	-	11
13.1	Assets Held For Sale		11	-	11	11	-	11
13.2	Assets Held For Discontiniued Operations		-	-	-	-	-	-
	TOTAL ASSETS		3,024,543	1,331,366	4,355,909	2,194,467	718,096	2,912,563

The accompanying notes are an integral part of these financial statements.

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

	LIABILITIES	Notes	Audited 31 December 2021			Audited 31 December 2020		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	FUNDS BORROWED	11	2,052,733	1,297,214	3,349,947	1,449,664	638,026	2,087,690
II.	FACTORING PAYABLES	6.1	2,163	16,038	18,201	639	2,647	3,286
III.	LEASE OBLIGATIONS	12	6,807	-	6,807	3,716	1,156	4,872
IV.	SECURITIES ISSUED (NET)	13	583,768	-	583,768	582,026	-	582,026
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	5.2	-	-	-	252	-	252
VII.	PROVISIONS	14	20,573	5,349	25,922	12,425	737	13,162
7.1	Restructuring Reserves		-	-	-	-	-	-
7.2	Provisions For Employee Benefits	14.1	15,158	-	15,158	10,758	-	10,758
7.3	General Provisions		-	-	-	-	-	-
7.4	Other Provisions	14.2	5,415	5,349	10,764	1,667	737	2,404
VIII.	CURRENT PERIOD TAX LIABILITIES	9	17,179	-	17,179	-	-	-
IX.	DEFERRED TAX LIABILITIES		-	-	-	-	-	-
X.	SUBORDINATED LOANS-DEBT		-	-	-	-	-	-
XI.	OTHER LIABILITIES	15	7,467	1,512	8,979	5,565	2,120	7,685
	SUBTOTAL		2,690,690	1,320,113	4,010,803	2,054,287	644,686	2,698,973
XII.	PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINIUED OPERATIONS (Net)		-	-	-	-	-	-
12.1	Held For Sale		-	-	-	-	-	-
12.2	Discontiniued Operations		-	-	-	-	-	-
XIII.	SHAREHOLDERS' EQUITY	16	345,106	-	345,106	213,590	-	213,590
13.1	Paid-in Capital		79,500	-	79,500	79,500	-	79,500
13.2	Capital Reserves		-	-	-	-	-	-
13.2.1	Share Premiums		-	-	-	-	-	-
13.2.2	Share Cancellation Profits		-	-	-	-	-	-
13.2.3	Other Capital Reserves		-	-	-	-	-	-
13.3	Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss		(1,590)	-	(1,590)	(1,170)	-	(1,170)
13.4	Accumulated Other Comprehensive Income that may be Reclassified Subsequently to Profit or Loss		-	-	-	-	-	-
13.5	Profit Reserves		135,260	-	135,260	85,110	-	85,110
13.5.1	Legal Reserves		13,354	-	13,354	10,757	-	10,757
13.5.2	Statutory Reserves		-	-	-	-	-	-
13.5.3	Extraordinary Reserves		74,353	-	74,353	74,353	-	74,353
13.5.4	Other Profit Reserves		-	-	-	-	-	-
13.6	Profit or Loss		131,936	-	131,936	50,150	-	50,150
13.6.1	Prior Periods Profit / Loss		-	-	-	-	-	-
13.6.2	Current Period Profit / Loss		131,936	-	131,936	50,150	-	50,150
	TOTAL LIABILITIES AND EQUITY		3,035,796	1,320,113	4,355,909	2,267,877	644,686	2,912,563

The accompanying notes are an integral part of these financial statements.

GARANTİ FAKTORİNG A.Ş.

STATEMENT OF OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

	OFF-BALANCE SHEET ITEMS	Notes	Audited 31 December 2021			Audited 31 December 2020		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	IRREVOCABLE FACTORING OPERATIONS		978,398	1,171,565	2,149,963	976,463	586,068	1,562,531
II.	REVOCABLE FACTORING OPERATIONS		1,543,465	107,550	1,651,015	1,369,693	82,358	1,452,051
III.	GUARANTEES TAKEN	25.1	171,098	57,902,601	58,073,699	78,474	33,121,183	33,199,657
IV.	GUARANTEES GIVEN	25.2	620,150	85	620,235	674,485	16,429	690,914
V.	COMMITMENTS	25.3	-	-	-	39,787	-	39,787
5.1	Irrevocable Commitments				-	39,787	-	39,787
5.2	Revocable Commitments		-	-	-	-	-	-
5.2.1	Lease Commitments		-	-	-	-	-	-
5.2.1.1	Finance Lease Commitments		-	-	-	-	-	-
5.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
5.2.2	Other Revocable Commitments		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL INSTRUMENTS	25.4	-	-	-	48,801	46,245	95,046
6.1	Derivative Financial Instruments for Hedging Purposes		-	-	-	-	-	-
6.1.1	Fair Value Hedges		-	-	-	-	-	-
6.1.2	Cash Flow Hedges		-	-	-	-	-	-
6.1.3	Net Investment Hedges		-	-	-	-	-	-
6.2	Derivative Financial Instruments Held For Trading		-	-	-	48,801	46,245	95,046
6.2.1	Forward Buy/Sell Transactions		-	-	-	-	-	-
6.2.2	Swap Buy/Sell Transactions		-	-	-	48,801	46,245	95,046
6.2.3	Options Buy/Sell Transactions		-	-	-	-	-	-
6.2.4	Futures Buy/Sell Transactions		-	-	-	-	-	-
6.2.5	Other		-	-	-	-	-	-
VII.	ITEMS HELD IN CUSTODY	25.5	1,852,969	425,624	2,278,593	1,336,686	228,349	1,565,035
	TOTAL OFF BALANCE SHEET ITEMS		5,166,080	59,607,425	64,773,505	4,524,389	34,080,632	38,605,021

The accompanying notes are an integral part of these financial statements.

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021
(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

	INCOME STATEMENT	Notes	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
I.	OPERATING INCOME	17	638,775	309,468
	FACTORING INCOME		638,775	309,468
1.1	Interest Income on Factoring Receivables		621,491	297,653
1.1.1	Discounted		354,499	170,684
1.1.2	Other		266,992	126,969
1.2	Fees and Commissions Income from Factoring Operations		17,284	11,815
1.2.1	Discounted		4,982	4,516
1.2.2	Other		12,302	7,299
	FINANCING LOANS INCOME		-	-
1.3	Interest income From Financing Credits		-	-
1.4	Fees and Commissions From Financing Credits		-	-
	FINANCE LEASE INCOME		-	-
1.5	Finance Lease Income		-	-
1.6	Operating Lease Income		-	-
1.7	Fees and Commissions Received from the Leasing Transactions		-	-
II.	FINANCIAL EXPENSES (-)	18	(419,177)	(189,506)
2.1	Interest Expense From Funds Borrowed		(320,305)	(161,436)
2.2	Interest Expense From Factoring Payables		-	-
2.3	Interest Expense of Finance Lease Expenses		(1,171)	(417)
2.4	Interest Expense From Securities Issued		(95,800)	(26,190)
2.5	Other Interest Expenses		(587)	(706)
2.6	Fees and Commissions Paid		(1,314)	(757)
III.	GROSS PROFIT / LOSS (I+II)		219,598	119,962
IV.	OPERATING EXPENSES (-)	19	(69,613)	(49,316)
4.1	Personnel Expenses		(39,872)	(30,025)
4.2	Employee Severance Indemnity Expense		(1,452)	(813)
4.3	Research and Development Expenses		-	-
4.4	General Administrative Expenses		(27,798)	(18,378)
4.5	Other		(491)	(100)
V.	GROSS OPERATING PROFIT / LOSS (III+IV)		149,985	70,646
VI.	OTHER OPERATING INCOME	20	111,127	151,683
6.1	Interest Income From Bank Deposits		1,850	691
6.2	Interest Income From Securities Portfolio		6,006	1,689
6.3	Dividend Income		-	-
6.4	Trading Account Income		443	345
6.5	Income From Derivative Financial Instruments		4,005	5,539
6.6	Foreign Exchange Gains		75,074	131,576
6.7	Other		23,749	11,843
VII.	PROVISION EXPENSES		(47,251)	(97,990)
7.1	Spesific Provisions		-	-
7.2	Allowances for Expected Credit Loss	21	(41,321)	(97,450)
7.3	General Provisions		-	-
7.4	Other		(5,930)	(540)
VIII.	OTHER OPERATING EXPENSES (-)	22	(46,835)	(59,668)
8.1	Impairment Losses From Securities Portfolio		-	-
8.2	Impairment Losses From Non-Current Assets		-	-
8.3	Trading Account Loss		(263)	-
8.4	Loss From Derivative Financial Instruments			(252)
8.5	Foreign Exchange Loss		(46,571)	(59,247)
8.6	Other		(1)	(169)
IX.	NET OPERATING PROFIT / LOSS		167,026	64,671
X.	INCOME RESULTED FROM MERGER		-	-
XI.	PROFIT / LOSS FROM PARTNERSHIPS VALUED BY EQUITY METHOD		-	-
XII.	GAIN/LOSS ON NET MONETARY POSITION		-	-
XIII.	PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI+XII)		167,026	64,671
XIV.	INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)	9	(35,090)	(14,521)
14.1	Current Tax Charge		(19,915)	378
14.2	Deferred Tax Charge		(15,175)	(14,899)
14.3	Deferred Tax Benefit		-	-
XV.	NET PROFIT FROM CONTINUING OPERATIONS (XIII±XIV)		131,936	50,150
XVI.	INCOME FROM DISCONTINUED OPERATIONS		-	-
16.1	Income from Assets Held for Sale		-	-
16.2	Gain on Sale of Subsidiaries, Associates and Jointly Controlled Entities		-	-
16.3	Other Income from Discontinued Operations		-	-
XVII.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
17.1	Expense on Assets Held for Sale		-	-
17.2	Loss on Sale of Subsidiaries, Associates and Jointly Controlled Entities		-	-
17.3	Other Expenses from Discontinued Operations		-	-
XVIII.	PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAX (XVI-XVII)		-	-
XIX.	INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (±)		-	-
19.1	Current Tax Charge		-	-
19.2	Deferred Tax Charge (+)		-	-
19.3	Deferred Tax Benefit (-)		-	-
XX.	NET PROFIT FROM DISCONTINUED OPERATIONS (XVIII±XIX)		-	-
XXI.	NET PROFIT FOR THE PERIOD (XII+XVII)		-	-
21.1	Current Profit (Loss) Distribution		-	-
21.1.1	Non-Controlling Interests		-	-
21.1.2	Subsidiaries		-	-
XXII.	DILUTED EARNINGS PER SHARE		131,936	50,150
22.1	A) Profit per Share from Continuing Operations	23	1.659572	0.630818
22.2	B) Profit per Share of Discontinued Operations		-	-

The accompanying notes are an integral part of these financial statements.

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish lira (“Thousands of TL”) unless otherwise indicated.)

		Notes	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
I.	PERIOD INCOME/LOSS		**131,936**	**50,150**
II.	OTHER COMPREHENSIVE INCOME		**(420)**	**(544)**
2.1	ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		**(420)**	**(544)**
2.1.1	Gains/(losses) on revaluation of tangible assets		-	-
2.1.2	Gains/(losses) on revaluation of intangible assets		-	-
2.1.3	Gains/(losses) on revaluation of intangible assets		(525)	(680)
2.1.4	Other items that will not be reclassified to profit or loss		-	-
2.1.5	Taxation on comprehensive income that will not be reclassified to profit or loss		105	136
2.2	ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS		-	-
2.2.1	Translation differences for transactions in foreign currencies		-	-
2.2.2	Translition and classification profit / loss of financial assets at fair value through other comprehesive income		-	-
2.2.3	Gains/(losses) from cash flow hedges		-	-
2.2.4	Gains/(losses) from net investment hedges		-	-
2.2.5	Other items that will be reclassified to profit or loss		-	-
2.2.6	Taxation on comprehensive income that will be reclassified to profit or loss		-	-
III.	TOTAL COMPREHENSIVE INCOME (I+II)		**131,516**	**49,606**

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021
(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

	CHANGES IN SHAREHOLDERS EQUITY	Notes	Paid in Capital	Capital Reserves	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation Increase/Decrease of property and equipment	Accumulated revaluation profit/loss from defined benefit plans	Other (Other comprehnsive income and expenses from equity method investments not to be reclassified on profit/loss, and other accumulated comprehensive income and	Other comprehensive income or expenses that will not be reclassified to profit or loss	Foreign exchange conversion differences	Revaluation and/or reclassification differences of available-for-sale financial assets	Other (Profit/loss from cash flow hedges, other comprehensive income and expenses from equity method investments to be reclassified on profit/loss, and other accumulated comprehensive income and expenses to be reclassified on	Other comprehensive income or expenses that will be reclassifed to profit or loss	Profit Reserves	Prior Years' Profit/(Loss)	Current Year Net Profit/(Loss)	Total Shareholders' Equity
	PREVIOUS PERIOD																		
	1 January - 31 December 2020																		
	Audited																		
I.	**Balances at Beginning of Period**	**16**	**79,500**	-	-	-	-	**(626)**	-		-	-	-	-		**76,702**	-	**8,408**	**163,984**
II.	**Corrections made as per TAS 8**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted Balances at Beginning of Period (I+II)**		**79,500**	-	-	-	-	**(626)**	-	-	-	-	-	-	-	**76,702**	-	**8,408**	**163,984**
IV.	**Total Comprehensive Income**		-	-	-	-	-	**(544)**	-	-	-	-	-	-	-	-	-	**50,150**	**49,606**
V.	**Capital Increase in Cash**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase from Internal Sources**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Capital Reserves from Inflation Adjustments to Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Liabilities**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Others Changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	-	-	-	**8,408**	-	**(8,408)**	-
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	8,408	-	(8,408)	-
11.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (31 December 2021) (III+IV+…...+XI+XII)		**79,500**	-	-	-	-	**(1,170)**	-	-	-	-	-	-	-	**85,110**	-	**50,150**	**213,590**
	CURRENT PERIOD																		
	1 January - 31 December 2021																		
	Audited																		
I.	**Balances at Beginning of Period**	**16**	**79,500**	-	-	-	-	**(1,170)**	-	-	-	-	-	-	-	**85,110**	-	**50,150**	**213,590**
II.	**Corrections made as per TAS 8**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted Balances at Beginning of Period (I+II)**		**79,500**	-	-	-	-	**(1,170)**	-	-	-	-	-	-	-	**85,110**	-	**50,150**	**213,590**
IV.	**Total Comprehensive Income**		-	-	-	-	-	**(420)**	-	-	-	-	-	-	-	-	-	**131,936**	**131,516**
V.	**Capital Increase in Cash**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase from Internal Sources**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Capital Reserves from Inflation Adjustments to Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Liabilities**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Others Changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	-	-	-	**50,150**	-	**(50,150)**	-
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	50,150	-	(50,150)	-
11.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (31 December 2020) (III+IV+…...+XI+XII)		**79,500**	-	-	-	-	**(1,590)**	-	-	-	-	-	-	-	**135,260**		**131,936**	**345,106**

The accompanying notes are an integral part of these financial statements.

GARANTİ FAKTORİNG A.Ş.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

	STATEMENT OF CASH FLOWS	Notes	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
1.1	Operating profit before changes in operating assets and liabilities		282,970	105,696
1.1.1	Interest/Leasing income received		575,497	288,999
1.1.2	Interest/Leasing expenses		(314,433)	(181,134)
1.1.3	Dividends received		-	-
1.1.4	Fees and commissions received		15,521	12,686
1.1.5	Other earnings		-	-
1.1.6	Receiving from non-performing receivables recognized as a loss	**6.3**	6,753	4,634
1.1.7	Cash payments to staff and service suppliers		(61,783)	(46,965)
1.1.8	Taxes paid		(2,736)	(3,420)
1.1.9	Other		64,151	30,896
1.2	Changes in operating assets and liabilities		(83,812)	(635,462)
1.2.1	Net (increase) decrease in factoring receivables		(1,349,196)	(695,407)
1.2.2	Net (increase) decrease in financial loans		-	-
1.2.3	Net (increase) decrease in receivables from leasing transactions		-	-
1.2.4	Net (increase) decrease in other assets		4,801	5,959
1.2.5	Net increase (decrease) in factoring payables		14,915	(7,314)
1.2.6	Net (increase) decrease in payables from leasing transactions		5,876	3,869
1.2.7	Net increase (decrease) in funds borrowed		1,254,625	74,944
1.2.8	Net increase (decrease) in due payables		-	-
1.2.9	Net increase (decrease) in other liabilities		(14,833)	(17,513)
I.	Net cash provided from operating activities		199,158	(529,766)
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries		-	-
2.2	Cash obtained from sale of joint ventures, associates and subsidiaries		-	-
2.3	Fixed assets purchases		54	(221)
2.4	Fixed assets sales		17	48
2.5	Cash obtained from funds borrowed and securities issued		-	(39,663)
2.6	Cash obtained from sale of financial assets available for sale		-	-
2.7	Cash paid for purchase of financial assets held to maturity		-	-
2.8	Cash obtained from sale of financial assets held to maturity			
2.9	Other	**8**	(6,854)	(8,008)
II.	Net cash provided from investing activities		(6,891)	(47,844)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			-
3.1	Cash obtained from funds borrowed and securities issued		1,900,675	811,316
3.2	Cash used for repayment of funds borrowed and securities issued		(1,994,731)	(234,020)
3.3	Capital increase		-	-
3.4	Dividends paid		-	-
3.5	Payments for finance leases		(3,941)	(3,550)
3.6	Other		-	-
III.	Net cash provided from financing activities		(97,997)	573,746
IV.	Effect of change in foreign exchange rate on cash and cash equivalents		8,486	3,868
V.	**Net increase/decrease in cash and cash equivalents**		**102,756**	**4**
VI.	**Cash and cash equivalents at the beginning of the period**		**11,846**	**11,842**
VII.	**Cash and cash equivalents at the end of the period**	**2.5**	**114,602**	**11,846**

The accompanying notes are an integral part of these financial statements.

GARANTİ FAKTORİNG A.Ş.
PROFIT DISTRIBUTION TABLE FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

		Notes	Audited 31 December 2021	Audited 31 December 2020
I.	**DISTRIBUTION OF CURRENT YEAR PROFIT (*)**			
1.1	CURRENT PERIOD PROFIT		167,026	64,671
1.2	TAXES AND LEGAL DUTIES PAYABLE (-)	**9**	35,090	14,521
1.2.1	Corporate tax (income tax)		19,915	(378)
1.2.2	Withholding tax		-	-
1.2.3	Other taxes and duties		15,175	14,899
A.	**NET PROFIT FOR THE PERIOD (1.1-1.2)**		**131,936**	**50,150**
1.3	ACCUMULATED LOSSES (-)		-	-
1.4	FIRST LEGAL RESERVES (-)		-	2,597
1.5	OTHER STATUTORY RESERVES (-)		-	-
B.	**NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**		**131,936**	**47,553**
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)		-	-
1.6.1	To owners of ordinary shares		-	-
1.6.2	To owners of privileged shares		-	-
1.6.3	To owners of redeemed shares		-	-
1.6.4	To profit sharing bonds		-	-
1.6.5	To holders of profit and loss sharing certificates		-	-
1.7	DIVIDENDS TO PERSONNEL (-)		-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
1.9.1	To owners of ordinary shares		-	-
1.9.2	To owners of privileged shares		-	-
1.9.3	To owners of redeeemed shares		-	-
1.9.4	To profit sharing bonds		-	-
1.9.5	To holders of profit and loss sharing certificates		-	-
1.10	STATUS RESERVES (-)		-	-
1.11	EXTRAORDINARY RESERVES		-	-
1.12	OTHER RESERVES		-	47,553
1.13	SPECIAL FUNDS		-	-
II.	**DISTRIBUTION OF RESERVES**		-	-
2.1	APPROPRIATED RESERVES		-	-
2.2	SECOND LEGAL RESERVES (-)		-	-
2.2	DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.2.1	To owners of ordinary shares		-	-
2.2.2	To owners of privileged shares		-	-
2.2.3	To owners of redeemed shares		-	-
2.2.4	To profit sharing bonds		-	-
2.2.5	To holders of profit and loss sharing certificates		-	-
2.3	DIVIDENDS TO PERSONNEL (-)		-	-
2.4	DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III.	**EARNINGS PER SHARE**		-	-
3.1	TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)		-	0.630818
3.2	TO OWNERS OF ORDINARY SHARES (%)		-	63.08
3.3	TO OWNERS OF PRIVILEGED SHARES		-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)		-	-
IV.	**DIVIDEND PER SHARE**		-	-
4.1	TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)		-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)		-	-
4.3	TO OWNERS OF PRIVILEGED SHARES		-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)		-	-

(*) Decision regarding to the 2020 profit distribution will be made at general assembly meeting.

The accompanying notes are an integral part of these financial statements.

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

1 ORGANIZATION AND OPERATIONS OF THE COMPANY

Garanti Faktoring Hizmetleri A.Ş. was incorporated on 4 June 1990 in Turkey to provide factoring services to industrial and commercial firms. The commercial title of Aktif Finans Faktoring Hizmetleri A.Ş. was changed to Garanti Faktoring Hizmetleri A.Ş. with the approval of the General Assembly held on 27 March 2002. At the 2013 General Assembly Meeting of the company held on 17 April 2014 the commercial title of the Company was changed to Garanti Faktoring A.Ş. ("the Company").

The Company offered its shares to public in 1993 with the authorization of the Capital Markets Board ("CMB") and is quoted in Borsa İstanbul A.Ş. ("BİAŞ").

The Company operates in accordance with the Capital Markets Law and "Financial Leasing, Factoring and Financing Companies Law" published in the Official Gazette dated 13 December 2012 and numbered 28496 and the "Regulation on Principles For Establishment And Operations Of Financial Leasing, Factoring and Financing Companies" issued by the Banking Regulation and Supervision Agency ("BRSA") dated 24 April 2013 and numbered 28627 published in the Official Gazette.
Information about the Company's shareholders and respective shares are as follows:

		Shareholding		Shareholding
	31 December 2021	**(%)**	**31 December 2020**	**(%)**
Türkiye Garanti Bankası A.Ş.	65.066	81,84	65.066	81,84
Türkiye İhracat Kredi Bankası A.Ş.	7.773	9,78	7.773	9,78
Publicly Traded	6.661	8,38	6.661	8,38
Capital	**79.500**	**100,00**	**79.5000**	**100,00**

The shareholding of T. Garanti Bankası A.Ş. as at 31 December 2021 is 55,40% and T. Garanti Bankası A.Ş. has obtained the remaining 26,44% shares from public shares via Borsa İstanbul (31 December 2021: 55,40% and 26,44%).

The Company has 120 employees as at 31 December 2021 (31 December 2020: 121).

The Company is registered in Turkey and operates at the following address:

Çamçeşme, Tersane Caddesi No: 15 Pendik / İstanbul

The Company provides factoring operations with 11 (eleven) branches in Turkey.

Approval of Financial Statements:

The financial statements were approved and authorized for issue by the Board of Directors based on the Board of Directors decision dated 1 February 2022 and numbered 04. The General Assembly has the authority to change the financial statements.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Statement of Compliance

The Company prepares its financial statements in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulations" including the communique on "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies and on Financial Statements to be announced to Public" published in the Official Gazette dated 24 December 2013 and numbered 28861 and the "Regulation on Principles For Establishment And Operations Of Financial Leasing, Factoring and Financing Companies" and other regulations, communiqués and circulars published by the BRSA and Turkish Accounting Standards ("TAS") published by the Public Oversight Accounting and Auditing Standards Authority ("POA") for the matters not legislated by the aforementioned regulations

Changes regarding classification and measurement of financials assets

Within the scope of "Regulation on Making Amendments to the Regulation on Accounting Practices and Financial Statements of Leasing, Factoring and Financing Companies" published in the Official Gazette dated 2 May 2018 and numbered 30409, companies are entitled to reserve for the expected credit loss allowance under TFRS 9 and the effective date of the regulation is 31 December 2019. The Company has started to calculate its expected credit loss in accordance with TFRS 9 starting from 1 January 2019 with the Board of Directors decision dated 28 December 2018.

2.1.2 Functional Currency

Financial statements of the Company are presented in Turkish Lira ("TL"), which is the Company's functional currency.

2.1.3 Preparation of Financial Statements in Hyperinflationary Periods

Restatement adjustments have been made to compensate for the effect of changes in the general purchasing power of the Turkish Lira, in accordance with Turkish Accounting Standards on "Preparation of Financial Statements in Hyperinflationary Periods" ("TAS 29") for the financial statements prepared until 31 December 2004. BRSA issued a circular on 28 April 2005 stating that the indicators requiring the application of inflation accounting ceased to exist; consequently inflation accounting was not applied in the financial statements after 1 January 2005.

In accordance with the announcement made by the KGK on January 20, 2022, since the cumulative change in the overall purchasing power of the last three years is 74.41% according to the Consumer Price Index ("CPI"), companies applying TFRS will not need to make any adjustments on their financial statements for the year 2021 based on the TAS 29 TMS 29 High Inflation Financial Reporting Standard in Economies. Thus, no inflation adjustment has been made in accordance to the TAS 29 while preparing the financial statements as of 31 December 2021.

2.1.4 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.2 Changes in Accounting Policies

Changes in accounting policies are applied retrospectively and the prior period financial statements are restated accordingly.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.3 Changes in Accounting Estimates and Errors

If the changes in accounting estimates relate to only one period, changes are applied in the current period but if changes in estimates relate to future periods, changes are applied both in the current and following periods prospectively. Material prior period errors are corrected retrospectively and prior period financial statements are restated.

The management is required to apply accounting policies and make decisions, estimations and assumptions that affect the reported assets, liabilities, income and expenses, in order to prepare the financial statements in accordance with the BRSA Accounting and Reporting Legislation. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed constantly. The effect of a change in accounting estimates is recognized prospectively in the current and future periods. The main notes for the items including estimates are as follows:

Note 3 – Cash and Cash Equivalents and Central Bank

Note 6 – Financial Assets Measured at Amortized Cost (Net)

Note 7 – Tangible Assets

Note 8 – Intangible Assets

Note 9 – Tax Assets and Liabilities

Note 14– Provisions

2.4 New and Revised Turkish Accounting Standards

The new standards, amendments and interpretations which are effective as at 31 December 2021 but not yet adopted are as follows

Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Company has not early adopted are as follows.

Classification of Liabilities as Short or Long Term (Amendments in TAS 1)

The classification of Liabilities as Short or Long Term (Amendments in TAS 1) published by the IASB on 23 January 2020 in order to make the presentation in the financial position table for the classification of liabilities as short or long term according to IAS 1 more explanatory, was published in 2020.

This amendment clarifies the additional explanations about the long-term classification of liabilities that the company can defer at least twelve months and other matters related to the classification of liabilities.

The amendments made in TAS 1 address the following issues:

a. In the classification of obligations, it should be clearly stated that the right of the enterprise to defer liability should exist at the end of the reporting period.

b. Stipulating that the expectations and objectives of the business management regarding the use of the right to defer the liability will not affect the long-term classification of the liability.

c. Explaining how the borrowing conditions of the company will affect the said classification.

d. Explanation of the provisions regarding the classification of liabilities that the entity can pay with its own equity instruments.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.4 New and Revised Turkish Accounting Standards (continued)

The company has to apply these changes retrospectively as of the reporting periods that started on and after 1 January 2022. However, its early application is allowed. However, with the amendment published on 15 July 2020, the IASB decided to postpone the effective date of the IAS 1 amendment until January 1, 2023.

The implementation of this amendment in TAS 1 is not expected to have a significant impact on the financial statements of the Company.

Annual Improvements /2018-2020 Period

Improvements in IFRS

The "Annual Improvements / 2018-2020 Period in TFRS" published by the KGK on 27 July 2020 for the standards in force, is presented below. These changes are effective from 1 January 2022 while early application is allowed. These changes in the TFRS are not expected to have a significant impact on the Company's financial statements.

TFRS 1- First Application of Turkish Financial Reporting Standards

This amendment simplifies the application of TFRS 1 if a subsidiary begins to apply TFRS later than the parent; e.g; if a subsidiary subsequently adopts TFRS from the parent, the accumulated foreign currency translation differences for all foreign currency transactions, taking advantage of the exemption in paragraph 1.D16(a) of TFRS, are included in the parent's consolidated financial statements based on the parent's transition date to IFRS Standards. You can choose to measure over. With this change, this optional exemption for subsidiaries will facilitate the transition to TFRS by i) reducing unnecessary costs and ii) eliminating the need to keep similar simultaneous accounting records. This change simplifies the switch to TFRS.

TFRS 9 Financial Instruments

This amendment requires that fees to be taken into account only for the purpose of performing the "10% test" for derecognition of financial liabilities – in determining fees charged on a net amount less fees paid for those transactions – and those paid reciprocally between or on behalf of the debtor and lender. or clarifies that it includes fees received.

TAS 41 Agricultural Activities

This amendment has harmonized the fair value measurement provisions in TAS 41 with the transaction costs required to be taken into account in determining the fair value in TFRS 13 Fair Value Measurement by removing the provision for not taking into account the payments made for taxes in the determination of fair value. This amendment provides flexibility in using TFRS 13 where appropriate.

Changes that have entered into force

The changes that have entered into force for accounting periods beginning on or after January 1, 2021 are as follows:

1) Benchmark Interest Rate Reform – Phase 2 (TFRS 9 Financial Instruments, TAS 39 Financial Instruments: Recognition and Measurement, TFRS 7 Financial Instruments: Disclosures, TFRS 4 Insurance Contracts and TFRS 16 Leases Amendments)

Disclosure of Accounting Policies (Amendments to TAS 1)

On February 12, 2021, IASB published an update on IAS 1 Presentation of Financial Statements and IFRS Implementation Standard 2 Making Materiality Decisions to help companies make disclosures about accounting policies useful. Among these amendments, the ones related to IAS 1 were published by the KGK as the Amendments to TMS 1 on August 11, 2021.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.4 New and Revised Turkish Accounting Standards (continued)

Disclosure of Accounting Policies (Amendments to TAS 1) (continued)

Key changes in TMS 1 include:

• Requiring companies to disclose their accounting policies based on materiality rather than significant accounting policies;

• Clarify that accounting policies for transactions, other events or conditions that are below materiality are immaterial and therefore do not need to be disclosed; and

• Clarify that all accounting policies regarding transactions, other events or conditions exceeding the materiality level are not material to a company's financial statements.

The changes are effective from 1 January 2023, but companies can apply earlier.

Definition of Accounting Estimates (Amendments to TAS 8)

These amendments, published by the IASB on 12 February 2021, introduce a new definition for accounting estimates: it is aimed to clarify that these are monetary amounts that cause measurement uncertainty in the financial statements. The relevant amendments were also published by the KGK on 11 August 2021 as the Amendments to TMS 8.

The amendments also clarified the relationship between accounting policies and accounting estimates by stating that a company develops an accounting estimate to achieve the purpose set by an accounting policy.

Developing an accounting estimate includes both:

• Choosing a measurement method (estimate or valuation method) – for example, an estimation technique used to measure the allowance for expected credit losses when applying TFRS 9 Financial Instruments; and

• Choosing the inputs to be used when applying the selected measurement method - eg. Expected cash outflows to determine a provision for warranty obligations when applying TAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or valuation techniques are changes in accounting estimates. No change was made in the definition of accounting policies and remained the same.

These changes are effective for reporting periods beginning on or after 1 January 2023, early application is permitted and will be applied prospectively to changes in accounting estimates and accounting policies that occur at the beginning or after the first annual reporting period in which the Company applies these changes.

The implementation of this amendment in IAS 8 is not expected to have a significant impact on the Company’s financial statements.

Deferred Tax on Assets and Liabilities Arising from a Single Transaction (TAS 12 Income Taxes Changes)

In May 2021, the “Deferred Tax on Assets and Liabilities Arising from a Single Transaction” amendment in TAS 12 Income Taxes was published by the IASB. The relevant changes were also published by the KGK on 27 August 2021 as the Amendments to TAS 12.

These changes made in TAS 12 Income Taxes, certain transactions of companies, for example; It clarifies how it should account for deferred tax on provisions for leases and decommissioning (dismantling, reinstatement, restoration, etc.).

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

Deferred Tax on Assets and Liabilities Arising from a Single Transaction (TAS 12 Income Taxes Changes) (continued)

With the amendment, it is foreseen that the scope of the initial recognition exemption will not be applied to transactions whose equal and temporary differences are offset. As a result, companies will be required to recognize deferred tax assets and deferred tax liabilities for temporary differences and decommissioning provisions arising from initial recognition of a lease.

The amendments clarify that the exemption does not apply to transactions such as lease and decommissioning obligations. These operations will produce equal and compensating temporary differences.

For leases and retirement obligations, the relevant deferred tax assets and liabilities will need to be recognized from the beginning of the earliest comparatively presented period, and any cumulative effects will be recognized as an adjustment to prior period retained earnings or other equity components. If a company has previously accounted for deferred tax on leases and decommissioning obligations under the net approach, the impact on the transition will likely be limited to the separate presentation of the deferred tax asset and deferred tax liability.

These amendments are valid for reporting periods beginning on or after 1 January 2023, with earlier application permitted.

The implementation of this amendment in IAS 12 is not expected to have a significant impact on the Company's financial statements.

2.5 *Summary of Significant Accounting Policies*

(a) Revenue

Factoring service income is composed of collected interest income and commission income earned from advance payments made to customers.

A proportion of factoring invoice total obtained constitutes commission income. Interest and commission income and other income and expenses are accounted accrual basis.

Other interest income is accrued based on the effective interest rate which equals the estimated cash flows to net book value of the related asset.

(b) Financial Instruments

Classification and measurement

Classification and measurement of financial assets in accordance with TFRS 9 Financial Instruments standard is determined by whether the financial asset is based on the business model in which the financial asset is managed and whether it is based on contractual cash flows including interest payments on principal and principal balance.

TFRS 9 contains three principal classification categories for financial assets: amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Company accounts for its financial assets in three classes. The classification is based on the characteristics of the contractual cash flows of the entity and the business model used by the entity for the management of the financial assets. The Company classifies its financial assets at the time of purchase.

"Financial assets measured at amortized cost" are financial assets held as part of a business model aimed at collecting contractual cash flows and that have cash flows that include interest payments solely on principal and principal balance at specific dates in contractual terms, are not traded in an active market. Financial assets at amortized cost of the Company also include "cash and cash equivalents", "factoring receivables".

2 *BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)*

2.5 *Summary of Significant Accounting Policies (continued)*

(b) Financial Instruments (continued)

Related assets are initially recognized at fair value in the financial statements; in subsequent accounting, measured at amortized cost using the effective interest rate method. Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in the income statement.

"Financial assets at fair value through other comprehensive income" are financial assets held as part of a business model for the collection and settlement of contract cash flows and for which there are cash flows from interest payments arising principally only at principal and principal amounts under contractual terms. Interest income, foreign currency gains and losses and impairment losses calculated using the effective interest method are recognized in profit or loss. Other gains and losses are recognized in other comprehensive income.

When financial assets are excluded from the statement of financial position, the total gains or losses that previously recognized in other comprehensive income are reclassified to profit or loss.

For investments in equity-based financial assets, the Company may inadvertently choose the method of reflecting subsequent changes in fair value to other comprehensive income during the first financial statement purchase. In the case of such a preference, the dividends from the related investments are recognized in the income statement.

Under TFRS 9, all investments in equity instruments and contracts on those instruments must be measured at fair value. However, in limited circumstances, cost value may be an appropriate estimate of fair value.

The Company uses the cost method as a method to determine the fair value in case there is not sufficient information about the fair value measurement or if the fair value can be measured with more than one method and the cost reflects the fair value estimation among these methods.

"Financial assets at fair value through profit or loss" are financial assets measured other than those at amortized cost and fair value through other comprehensive income. The resulting gains and losses from the valuation of such assets are recognized in the income statement.

Factoring Receivables and Other Receivables

Factoring receivables and other receivables are stated at fair value at initial recognition. Subsequent to initial recognition, all receivables except for factoring receivables are carried at amortized cost using the effective interest method. Interest income is calculated and accounted by using the effective interest rate method.

Disclosures on impairment of financial assets

As at 1 January 2019, loss allowance for expected credit losses is set aside for factoring receivables measured at amortized cost based on TFRS 9 and the regulation published in the Official Gazette no. 30409 dated 2 May 2018 and effective from 31 December 2019 in connection with "Regulation on Making Amendments to the Regulation on Accounting Practices and Financial Statements of Leasing, Factoring and Financing Companies" TFRS 9 impairment requirements are not applicable for equity instruments.

At each reporting date, it shall be assessed whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, it shall be used the change in the risk of a default occurring for the financial instrument.

2 *BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)*

2.5 *Summary of Significant Accounting Policies (continued)*

(b) Financial Instruments (continued)

Disclosures on impairment of financial assets ***(continued)***

As of the reporting date, if the credit risk on a financial instrument has not increased significantly since initial recognition, it shall be measured the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. However, if there is a significant increase in credit risk of a financial instrument since initial recognition, it is measured loss allowance regarding such instrument at an amount equal to lifetime expected credit losses.

The expected credit loss is calculated on a collective basis by means of grouping the financial assets having common credit risk features or on an individual basis.

Calculation of expected credit losses

Expected credit losses is calculated based on a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due based on the contract and the cash flows that are expected to be received.

Probability of Default (PD): PD refers to the likelihood that a loan will default, which is usually set at 12 months, given certain characteristics:

- 12-month PD: as the estimated probability of default occurring within the next 12 months.
- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

Internal rating systems are used for commercial portfolios. The internal rating models used for the commercial portfolio include customer financial information and demographic information. Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

Loss Given Default (LGD): If a loan default occurs, it represents the economic loss incurred on the loan. It is expressed as a percentage.

LGD calculations are performed using historical data which best reflects current conditions. LGD summarizes all cash flows from customers subsequent to default. It covers all costs and collections that occur during the collection cycle, including collections from collaterals. It also includes the "time value of money" calculated by means of deducting costs and additional losses from the present value of collections.

Exposure at Default (EAD): For cash loans, it corresponds to the amount of loan granted as of the reporting date.

With the exception of revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless there is the legal right to call it earlier.

Stage 1: 12-month expected credit loss represents the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date and calculated as the portion of lifetime expected credit losses. 12-month expected credit loss is calculated based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate.

Stage 2: When there is a significant increase in credit risk since origination, lifetime expected credit losses is calculated. Including multiple scenario usage, probability of default and loss given default rates are estimated through the life of the instrument. Estimated cash shortfalls are discounted by using the original effective interest rate.

2 *BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)*

2.5 *Summary of Significant Accounting Policies (continued)*

(b) Financial Instruments (continued)

Calculation of expected credit losses (continued)

Stage 3: Lifetime expected credit losses are recognised for the impaired lease receivables. The methodology is similar to stage 2 and the probability of default is taken into account as 100%.

It is considered a debt as default on these two below conditions;

1. Objective Default Definition: It means debt having past due more than 90 days. Current definition of default in the Bank and its financial subsidiaries subject to consolidation is based on a more than 90 days past due definition. If a loan is exactly 90 days past due, it will not be considered as default. Default status starts on the 91st day.

2. Subjective Default Definition: It means it is considered that a debt is unlikely to be paid. Whenever it is considered that an obligor is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

In addition, a certain portion of commercial and corporate loans is assessed individually in accordance with the internal policies in the calculation of the expected credit losses based on TFRS 9. Such calculations are made by discounting the expected cash flows from the individual financial instrument to its present value using the effective interest rate. When measuring expected credit losses, it shall be considered the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. Such assessment is made by reflecting the estimate of expected credit loss which is unbiased and probability-weighted determined by evaluating a range of possible outcomes.

Forward-looking macroeconomic information

Forward-looking macroeconomic information is incorporated into credit risk parameters during assessment of significant increase in credit risk and expected credit loss calculation.

Significant increase in credit risk

Qualitative and quantitative assessments are performed regarding assessment of significant increase in credit risk.

Qualitative assessment:

It is classified the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment.

- Loans overdue more than 30 days as of the reporting date,
- Loans classified as watchlist,
- When there is a change in the payment plan due to refinancing, restructuring or concession, the loan is not considered as default or written off and the change is not due to any commercial reason.

Quantitative assessment:

The quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date.

It is classified the related financial asset as stage 2 (Significant Increase in Credit Risk) where both of the following criteria are satisfied as a result of quantitative assessment.

2 *BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)*

2.5 *Summary of Significant Accounting Policies (continued)*

(b) Financial Instruments (continued)

Low credit risk

TFRS 9, the credit risk on a financial instrument is considered as low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

It is not considered financial instruments to have low credit risk when they are regarded as having a low risk of loss simply because of the value of collateral and the financial instrument without that collateral would not be considered low credit risk. Financial instruments are also not considered to have low credit risk simply because they have a lower risk of default than the other financial instruments or relative to the credit risk of the jurisdiction within which it is operated.

If it is determined that a financial instrument has a low credit risk as of the reporting date, it is assumed that the credit risk on the financial instrument has not increased significantly following its first recognition in the financial statements.

Disclosures to the denial policy

The Regulation on Accounting Practices and Financial Tables of Financial Leasing, Factoring and Financing Companies was published in the Official Gazette No. 30961 on 27 November 2019. With this regulation, it is possible to deduct the part of Factoring Receivables, which are classified as "Loss like Receivables" by financial institutions, for which there is no reasonable expectation of recovery by companies, and thus to be taken off the balance sheet.

The company makes an objective and subjective assessment while determining whether there are no reasonable expectations.

As explained in the accounting policies entitled Calculation of Expected Credit Loss, provisions for expected credit losses are made under TFRS 9 for the parts of Factoring receivables that are not expected to be collected.

Therefore, the portion of factoring receivables, which are deemed to have no reasonable expectation for the recovery of the loan by the unit responsible for the collection of the relevant receivables, and which are currently monitored in the "Loss Receivables" category, up to the allocated provisions, may be subject to derecognition.

In addition, all factoring receivables that meet at least the following conditions are considered to be completely lost by the Company and can be deducted from the record based on the positive opinion of the relevant units:

In this context, the provision rates of the related receivables can be determined as 100% if the relevant units also have positive opinion.

i. Being monitored as a receivable as a loss for at least 2 years,

ii. The fact that no collection has been made in the last 6 months or the Company has gone bankrupt in the last 6 months, and there is no new collection capacity due to the assets at the bankruptcy estate,

iii. Lack of a guarantee in kind,

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

2 *BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)*

2.5 *Summary of Significant Accounting Policies (continued)*

(b) *Financial Instruments (continued)*

Disclosures to the denial policy

In line with the related accounting policy of the company, the factoring receivables that are written off as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Deregistration of Factoring Receivables	86.299	-	32.981	240.527
	86.299	**-**	**32.981**	**240.527**

While the follow-up rate was 4,29% before the list, it regressed to 1,63% after the registration (31 December 2020: The follow-up rate, which was 12,14% before the registration, decreased to 4,52% after the registration).

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Derivative Financial Instruments

The Company's activities primarily expose the business to Financial risks related to changes in foreign exchange rates and interest rates. The Company uses derivative financial instruments (mainly exchange rate forward contracts) to manage its financial risks associated with currency fluctuations related to future foreign exchange and credit transactions. Derivative financial instruments are recorded with their fair values at the contract date and are accounted for with their fair values in subsequent reporting periods.

Financial Liabilities

The Company's financial liabilities and equity instruments are classified on the basis of contractual arrangements, identification of a financial liability and an equity instrument. The contract representing the right in the assets of the Company after deducting all its debts is an equity-based Financial instrument. Accounting policies applied for certain financial liabilities and equity instruments are given below.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair value at initial recognition and remeasured at fair value as at the balance sheet date at each reporting period.

Financial Liabilities at Fair Value Through Profit or Loss

Changes in fair values are accounted for in the profit or loss statement. Net gains or losses in the statement of profit or loss include the interest paid on the financial paint in question.

2 *BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)*

2.5 *Summary of Significant Accounting Policies (continued)*

(c) TFRS 16 Leases

The Company has started to apply TFRS 16 Leases standard (“TFRS 16”) starting from 1 January 2019. TFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

Definition of Leasing

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under TFRIC 4 Determining Whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under TFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to TFRS 16, the Company elected to apply it as it used to be defined as a lease by using the practical expedient to the assessment of which transactions are leases. It applied TFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under TAS 17 and TFRIC 4 were not reassessed. Therefore, the definition of a lease under TFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Company has elected not to separate non-lease components and will instead account for the lease and non- lease components as a single lease component.

The Company has allocated to each lease and non-lease component, based on its relative stand-alone price, at the reassessment or inception of a contract containing a lease component. However, fort he properties it is tenant, the Company has chosen not to separate non-lease components and to account for non-lease and non-lease components as a single lease component.

As a lessee

The Company leases properties and vehicles. Under TFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Company has elected not to recognise to the financial statements right-of-use assets and lease liabilities for properties and vehicles leases with a lease term of 12 months or less. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company presents lease liabilities in ‘Lease Liabilities (Net)’ in the statement of financial position.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Company’s accounting policies.

2 *BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)*

2.5 *Summary of Significant Accounting Policies (continued)*

(c) TFRS 16 Leases (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

On 5 June 2020, the KGK published the Concessions Granted in Lease Payments in relation to COVID-19 "Changes to TFRS 16 Leases" and structured them in the "Leases Standard by publishing TFRS 16". With this change, COVID-19 was justified in the exemption to find out if there was a change in the lease in the tenants' payments. The change in question did not have a significant impact or financial performance on the Company's financial performance.

(d) Tangible Assets and Amortization

Tangible assets are carried at historical cost, less accumulated depreciation and accumulated impairment losses.

Tangible assets are depreciated principally on a straight-line basis considering the expected useful lives. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Expenses for the maintenance of tangible assets are normally recorded in profit and loss statement. Gain or loss arising on the disposal or retirement of an item of tangible asset is determined as the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Tangible Asset	**Estimated useful lives (Year)**
Vehicles	5
Furniture and fixtures	3-15
Leasehold improvements	3-10

2 *BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)*

2.5 *Summary of Significant Accounting Policies (continued)*

(e) Intangible Assets

Intangible Fixed Assets Acquired

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period with the effect of any changes in estimate being accounted for on a prospective basis.

Computer Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their useful lives.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible fixed assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

Intangible Assets	**Estimated useful lives (Year)**
Rights	3-5
Software	3-5

(f) Impairment of Assets

Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets which were subject to impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Capital Increase

Capital increases by the existing shareholders are decided in the General Assembly Meetings and accounted for over the registered nominal values.

(h) Retirement Pay Provision

Under the Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan in accordance with the TAS 19 "Employee Benefits" ("TAS 19").

Retirement pay provision of the employees is calculated by discounting the future retirement liability of the employees and presented in the financial statements. All actuarial gains and losses are accounted under the other comprehensive income.

2 *BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)*

2.5 Summary of Significant Accounting Policies (continued)

(i) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

(j) Borrowing Costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

(k) Effects of Changes in Exchange Rates

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates. The results and financial position of the Company is expressed in thousands of TL, which is the functional currency of the Company, and the presentation currency for the financial statements.

The foreign currency exchange rates used by the Company as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
USD	13,0930	7,3405
EURO	14,8480	9,0079
GBP	17,6930	9,9438

In preparing the financial statements of the Company, transactions in currencies other than TL (foreign currencies) are recorded at the prevailing exchange rates at the transaction date. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(l) Earnings per Share

In Turkey, companies can raise their share capital by distributing "Bonus Shares" to shareholders from retained earnings. In computing earnings per share, such "Bonus Share" distributions are treated as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(m) Events after the reporting period

Events after the balance sheet date comprise any event between the balance sheet date and the date of authorization of the financial statements for publication, even if any event after the balance sheet date occurred subsequent to an announcement on the Company's profit or following any financial information disclosed to public.

The Company adjusts the amounts recognized in its financial statements to reflect adjusting events after the balance sheet date if such subsequent events arise.

(n) Segment Reporting

No segmental information is disclosed as the Company operates in Turkey and provides only factoring services.

(o) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(o) Income Tax(continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(p) Statement of Cash Flows

In the statement of cash flows, cash flows are classified according to operating, investment and finance activities.

Cash flows from operating activities reflect cash flows mainly generated from factoring operations of the Company.

Cash flows from investment activities express cash used in investment activities (capital expenditures and financial investments) and cash flows generated from investment activities of the Company.

Cash flows relating to finance activities express sources of financial activities and payment schedules of the Company.

Cash and Cash Equivalents:

	31 December 2021	31 December 2020
Case / Effective	1	1
Cash and Cash Equivalents (*)	153.286	12.502
Blocked Deposits	(38.685)	(657)
	114.602	**11.846**

(*) The expected loss provision of TL 345 has not been netted.

(r) Covid-19 pandemic effects

Spreading in World and Turkey and was declared as a pandemic Covid-19 outbreak by the WHO on 11 March 2020 and the measures taken against the epidemic, exposure to the epidemic in all countries leads to disruptions in operations and both global as well as country economic conditions negatively affects. The economic effects of this epidemic have been evaluated as not having a significant negative effect as of the reporting date, based on the evaluation made by the Company's senior management.

3 CASH, CASH EQUIVALENTS AND CENTRAL BANK

Details of cash and cash equivalents as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	TL	TL	FC
Cash and cash equivalents	2.665	22.379	1.622	10.224
Time deposits (*)	128.243	-	657	-
Expected credit losses	(285)	(60)	(21)	(77)
	130.623	**22.319**	**2.258**	**10.147**

(*) TL 38.685 is held as collateral for Takasbank Monetary Market transactions (31 December 2020: TL 657).

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (NET)

As of 31 December 2021 and 31 December 2020, financial assets at fair value difference is reflected to profit and loss consist of government bonds issued as collateral for trading in the Takasbank Money Market and shares representing a share in the capital not listed on the exchange.

	31 December 2021			31 December 2020		
	Carrying Value		% Share Rate	Carrying Value		% Share Rate
	TL	FC		TL	FC	
Pledged / Blocked	-	-	-	39.661	-	-
Factors Chain International (FCI)	-	15	1,72	-	9	1,72
	-	**15**		**39.661**	**9**	

5.1 DERIVATIVE FINANCIAL ASSETS

Derivatives are initially recorded at their fair values. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The details of derivative financial assets consisting of currency swap agreements. As at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Derivative financial assets	-	-	1.921	-
	-	**-**	**1.921**	**-**

5.2 DERIVATIVE FINANCIAL LIABILITIES

The details of derivative financial liabilities consisting of currency swap agreements. As at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Derivative financial liabilities	-	-	252	-
	-	**-**	**252**	**-**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

6 FINANCIAL ASSETS AT AMORTISED COST (NET)

6.1 Factoring Receivables and Payables

Factoring Receivables

Details of factoring receivables as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
Financial assets at amortised cost (net)	**TL**	**FC**	**TL**	**FC**
Discounted Factoring Receivables (Net)	1.695.813	354.997	1.010.724	163.041
Other Factoring Receivables	1.142.894	954.193	1.075.365	545.199
Non Performing Receivables	49.136	19.567	118.959	13.281
Expected Credit Losses (-)	(49.911)	(20.502)	(123.599)	(14.123)
Stage 1	*(10.492)*	*(935)*	*(9.676)*	*(842)*
Stage 2	*(35)*	-	*(7.642)*	-
Stage 3	*(39.384)*	*(19.567)*	*(106.281)*	*(13.281)*
Factoring receivables	**2.837.932**	**1.308.255**	**2.081.449**	**707.398**

The company does not have any Stage 1 overdue receivables (31 December 2020: TL 23) and the delay periods are as allows:

	31 December 2021		31 December 2020	
Stage 1	***TL***	***FC***	***TL***	***FC***
Overdue 1 month	-	-	23	-
	-	**-**	**23**	**-**

Stage 2 overdue receivables of the company are TL 554 (31 December 2020: TL 1.169) and the delay periods are as follows:

	31 December 2021		31 December 2020	
Stage 2	***TL***	***FC***	***TL***	***FC***
Overdue 1 month	499	-	347	-
Overdue 1-3 months	55	-	604	-
Overdue 3-6 months	-	-	218	-
	554	**-**	**1.169**	**-**

In addition, there is a factoring receivable of TL 3.885, which is not overdue, followed up in the stage 2 (31 December 2020: TL 21.103).

Factoring Payables

Details of short term factoring payables as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Factoring payables	2.163	16.038	639	2.647
	2.163	**16.038**	**639**	**2.647**

Factoring payables represent the amounts of collections on behalf of factoring customers not transferred to the factoring customer accounts yet.

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

6 FINANCIAL ASSETS AT AMORTISED COST (NET)

6.1 Factoring Receivables and Payables (continued)

6.2 Non-Performing Receivables

Details of the Company's non-performing factoring receivables as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Non-performing Factoring Receivables	49.136	19.567	118.959	13.281
	49.136	**19.567**	**118.959**	**13.281**

6.3 Expected Credit Losses

Details of the Company's expected credit losses for factoring receivables at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Expected credit losses	(49.911)	(20.502)	(123.599)	(14.123)
	(49.911)	**(20.502)**	**(123.599)**	**(14.123)**

The movements of expected credit losses for factoring receivables for the year ended 31 December 2021 and 31 December 2020 are as follows:

	1 January-31 December 2021	**1 January-31 December 2020**
Opening balance 1 January	**137.722**	**325.407**
Expected credit loss of the period ;		
Stage 1	8.282	8.787
Stage 2	35	3.682
Stage 3	32.215	21.576
Collections/reversals of the period ;		
Stage 1	(7.373)	(3.092)
Stage 2	(7.642)	(3.056)
Stage 3	(6.393)	(4.636)
Deducted receivables provision cancellations		
Stage 3	(86.433)	(210.946)
	70.413	**137.722**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

7 TANGIBLE ASSETS

Movements in tangible fixed assets for the period ended 31 December 2021 are as follows:

	1 January 2021	Additions	Disposals	31 December 2021
Acquisition Cost				
Furniture and fixtures	4.585	20	(174)	4.431
Vehicles	19	-	-	19
Leasehold improvements	1.968	34	-	2.002
Right-of-use				
Leased buildings	4.536	975	(1.330)	4.181
Right-of-use	-	-	-	-
Vehicles	3.571	5.164	(3.775)	4.960
	14.679	**6.193**	**(5.279)**	**15.593**

Accumulated Depreciation	1 January 2021	Depreciation for the period	Disposals	31 December 2021
Furniture and fixtures	4.310	125	(173)	4.262
Vehicles	19	-	-	19
Leasehold improvements	1.487	95	-	1.582
Leased buildings	1.050	1.211	(401)	1.860
Vehicles	2.759	1.384	(3.194)	949
	9.625	**2.815**	**(3.768)**	**8.672**
Net book value	**5.054**			**6.921**

(*) As of 31 December 2021, the insurance amount on tangible assets are TL 939 (31 December 2020: TL 339) and the insurance premium amount is TL 4 (31 December 2020: TL 1).

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

7 TANGIBLE ASSETS (continued)

Movements in tangible assets for the year ended 31 December 2020 are as follows:

	1 January 2020	Additions	Disposals	31 December 2020
Acquisition Cost				
Furniture and fixtures	5.427	10	(852)	4.585
Vehicles	19	-	-	19
Leasehold improvements	1.757	211	-	1.968
Right-of-use				
Leased buildings	2.327	3.902	(1.693)	4.536
Right-of-use	-	-	-	-
Vehicles	3.633		(62)	3.571
	13.163	**4.123**	**(2.607)**	**14.679**

Accumulated Depreciation	1 January 2020	Depreciation for the period	Disposals	31 December 2020
Furniture and fixtures	4.712	402	(804)	4.310
Vehicles	19	-	-	19
Leasehold improvements	1.395	92	-	1.487
Leased buildings	383	1.178	(511)	1.050
Vehicles	1.400	1.412	(53)	2.759
	7.909	**3.084**	**(1.368)**	**9.625**
Net book value	**5.254**			**5.054**

8 INTANGIBLE ASSETS

The movement of intangible assets for the period ended 31 December 2021 is as follows:

	1 January 2021	Additions	Disposals	31 December 2021
Acquisition Cost				
Rights	3.076	-	-	3.076
Other (Software)	38.696	6.854	-	45.550
	41.772	**6.854**	-	**48.626**

Accumulated Amortization	1 January 2021	Charge for the period	Disposals	31 December 2021
Rights	3.076	-	-	3.076
Other (Software)	27.452	7.040	-	34.492
	30.528	**7.040**	-	**37.568**
Net book value	**11.244**			**11.058**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

8 INTANGIBLE ASSETS (continued)

The movement of intangible assets for the period ended 31 December 2020 is as follows:

	1 January 2020	Additions	Disposals	31 December 2020
Acquisition Cost				
Rights	3.076	-	-	3.076
Other (Software)	30.688	8.008	-	38.696
	33.764	8.008	-	**41.772**

Accumulated Amortization	1 January 2020	Charge for the period	Disposals	31 December 2020
Rights	3.076	-	-	3.076
Other (Software)	21.264	6.118	-	27.452
	24.340	6.118	-	**30.528**
Net book value	**9.424**			**11.244**

As at 31 December 2021 and 31 December 2020, the Company has not any intangible asset that is generated within the company.

9 TAX ASSETS AND LIABILITIES

Corporate Tax

The company is subject to the tax legislation and practices in force in Turkey. Corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the relevant accounting period and is paid in one installment until the end of the relevant month.

In Turkey, the corporate tax rate applied to the legal tax base to be found by adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial income of the corporations in Turkey and by deducting the exemptions in the tax laws was applied as 20% after 1 January 2021. However, with the Provisional Article 13 added to the Corporate Tax Law no. The rate is set to be 25% for corporate earnings for the 2021 taxation period and 23% for corporate earnings for the 2022 taxation period. This change is valid for the taxation of corporate earnings for the periods starting from 1 January 2021, starting with the declarations that must be submitted as of 1 July 2021. Since the tax rate change came into effect as of 22 April 2021, the tax rate was used as 25% in the calculations of the period tax in the financial statements dated 31 December 2021.

Within the scope of the said amendment, deferred tax assets and liabilities in the financial statements dated 31 December 2021 are calculated at the rates of 23% and 20%, respectively, for the portions of temporary differences that will have tax effects in 2022 and the following periods.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period, provided that they do not exceed 5 years. Declarations and related accounting records can be examined by the tax office within five years and tax accounts can be revised.

Dividend payments made to resident joint stock companies in Turkey, to those who are not liable and exempt from corporate tax and income tax, and to real persons and non-resident legal entities in Turkey are subject to 15% income tax.

Dividend payments made from joint stock companies residing in Turkey to joint stock companies residing in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, income tax is not calculated.

9 TAX ASSETS AND LIABILITIES

Corporate Tax (continued)

Dividend earnings of corporations from participation in the capital of another fully liable corporation (except for participation certificates of mutual funds and dividends obtained from shares of investment partnerships) are exempt from corporate tax. In addition, 75% of the profits arising from the sale of the participation shares in the assets of the corporations for at least two full years and the founder's shares, the usufruct shares and the pre-emptive rights of the real estates (immovables) owned for the same period of time, are exempt from corporate tax as of 31 December 2017. However, with the amendment made with Law No. 7061, this rate has been reduced from 75% to 50% in terms of immovables and this rate is used as 50% in tax returns to be prepared as of 2018.

In order to benefit from the exemption, the said income must be kept in a passive fund account and not withdrawn from the business for 5 years. The sales price must be collected until the end of the second calendar year following the year of sale.

In Turkey, there is no practice of reaching an agreement with the tax administration regarding the taxes to be paid. Corporate tax returns are submitted within four months following the end of the accounting period. The tax inspection authorities may examine the tax returns and the accounting records underlying them for five years following the accounting period and make a reassessment as a result of their findings.

Income Withholding Tax

There is a withholding tax liability on dividend distributions, and this withholding liability is accrued in the period when the dividend payment is made. Dividend payments are subject to a 15% withholding tax until December 22, 2021, except for non-resident companies that generate income through a workplace or their permanent representative in Turkey, and those made to companies residing in Turkey. However, in accordance with the President's Decision No. 4936, published in the Official Gazette dated 22 December 2021 and numbered 31697, the provisions regarding the dividend distribution of the Income Tax Law No. has been downloaded.

In the application of withholding tax rates for profit distributions to non-resident companies and real persons, the withholding tax rates in the relevant Double Taxation Agreements are also taken into account. Adding retained earnings to the capital is not counted as dividend distribution, so it is not subject to withholding tax.

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

9 TAX ASSETS AND LIABILITIES (continued)

Transfer pricing regulations

In Turkey, transfer pricing regulations are specified in Article 13 of the Corporate Tax Law, titled "Disguised profit distribution through transfer pricing". The communiqué dated 18 November 2007 on disguised profit distribution through transfer pricing regulates the details of the implementation.

If the taxpayer buys or sells goods or services with related parties at the price or price, they have determined in violation of the arm's length principle, the profit is deemed to have been distributed implicitly through transfer pricing in whole or in part. Disguised profit distribution through such transfer pricing is considered as an expense that is not legally accepted for corporate tax.

Tax income/(expense)

The tax income/expense for the years ended 31 December 2021 and 31 December 2020 is as follows:

Tax provision movement

	1 January – 31 December 2021	1 January – 31 December 2020
Reported profit before taxation	167.026	64.671
Calculated tax on reported profit	(41.757)	(14.228)
Permanent differences:		
Effect of change in tax rate	8.112	(186)
Disallowable expenses	(1.540)	-
Other	95	(107)
Tax Charge	**(35.090)**	**(14.521)**

Based on the 26th article of the Income Tax Law and the Law on Making Amendments to Some Laws, which entered into force by publishing in the Official Gazette dated 19 July 2019 and numbered 30836, the special provisions set aside from 1 January 2019 have been taken into account in the calculation of corporate tax provision.

Corporate tax payable as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Current period corporate tax provision	19.915	-
Temporary tax paid in current period	(2.646)	(3.329)
Withholding income tax	(90)	(91)
Current Period Tax Receivable/ (Payable)	**17.179**	**(3.420)**

As of 31 December 2021, there is TL 90 of income tax withheld (as of 31 December 2020, TL 91 is withheld income tax).

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

9 TAX ASSETS AND LIABILITIES (continued)

Deferred tax assets and liabilities

Deferred tax is calculated over the temporary differences between the recorded values of assets and liabilities in the financial statements and the values used in the tax base, excluding the goodwill that is not subject to tax deduction and the first recorded asset and liability differences that are not subject to accounting and taxation. In deferred tax calculations, the rates are determined as 23% and 20%, depending on the period in which the temporary differences will occur (31 December 2020: 20%).

Recognized deferred tax assets and liabilities

As of 31 December, items attributable to deferred tax asset and deferred tax liability consist of the following:

	31 December 2021	31 December 2020
Temporary Differences		
Unearned factoring interest income	91.998	49.089
Factoring credit provisions (phases 1 and 2)	11.462	18.160
Litigation and expense rediscount provisions	8.506	499
Personnel premium provisions (*)	7.018	4.868
Factoring credit provisions (stage 3) (*)	5.099	48.065
Compensation for severance (*)	3.596	2.746
Severance pay-actuarial loss/earnings (**)	1.987	1.462
TFRS16 depreciation expense	2.595	2.589
Vacation pay liability (*)	2.557	1.682
Loans received BITT rediscount	1.377	1.167
TFRS16 interest expense	1.171	417
Provisions for negative clearance lawsuits (*)	1.020	1.167
Prepaid commissions	638	1.557
Term deposit provisions	345	98
Interest rediscounts valuation differences on factoring receivables	202	1.105
Unused tax losses	-	95.306
TFRS16 exchange rate difference	-	303
Derivative financial assets valuation differences	-	252
Temporary differences related to deferred tax assets	**139.571**	**230.533**
Commission rediscounts for other factoring receivables	3.893	1.718
Temporary differences on tangible and intangible assets (*)	3.849	3.754
Vehicle rental expense	2.105	1.965
Building rental expense	1.685	1.585
Prepaid guarantee letter and brokerage commissions	1.202	575
Loans received valuation differences	409	306
Bond valuation differences	316	45
Currency valuation differences	100	-
Derivative financial liabilities valuation differences	-	1.921
Bond valuation	-	361
Temporary differences related to deferred tax liabilities	**13.559**	**12.230**

(*) Deferred tax rates are calculated according to the rates of 23% and 20%, taking into account the realization dates.

(**) TL 525 increase is classified under other comprehensive income or expenses under equity.

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

9 TAX ASSETS AND LIABILITIES (continued)

	31 December 2021	31 December 2020
Deferred tax assets / (liabilities)		
Unearned factoring interest income	21.160	9.818
Factoring credit provisions (phases 1 and 2)	2.637	3.632
Litigation and expense rediscount provisions	1.957	100
Personnel premium provisions (*)	1.567	974
Factoring credit provisions (stage 3) (*)	1.022	9.613
Compensation for severance (*)	719	549
Severance pay-actuarial loss/earnings (**)	397	292
TFRS16 depreciation expense	597	518
Vacation pay liability (*)	511	336
Loans received BITT rediscount	317	233
TFRS16 interest expense	269	83
Provisions for negative clearance lawsuits (*)	204	234
Prepaid commissions	147	311
Term deposit provisions	79	20
Interest rediscounts valuation differences on factoring receivables	46	221
Unused tax losses	-	19.062
TFRS16 exchange rate difference	-	61
Derivative financial assets valuation differences	-	50
Deferred tax assets	**31.629**	**46.107**
Commission rediscounts for other factoring receivables	(895)	(344)
Temporary differences on tangible and intangible assets (*)	(805)	(751)
Vehicle rental expense	(484)	(393)
Building rental expense	(388)	(317)
Prepaid guarantee letter and brokerage commissions	(276)	(115)
Loans received valuation differences	(94)	(61)
Bond valuation differences	(73)	(9)
Currency valuation differences	(23)	-
Derivative financial liabilities valuation differences	-	(384)
Bond valuation	-	(72)
Deferred tax liabilities	**(3.038)**	**(2.446)**
Deferred tax assets (net)	**28.591**	**43.661**

(*) Deferred tax rates are calculated according to the rates of 23% and 20%, taking into account the realization date.

(**) The increase of TL 105 is classified under other comprehensive income or expenses under equity.

Movements of deferred tax assets are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
1 January	43.661	58.424
Deferred tax income / loss	(15.175)	(14.899)
Deferred tax income / (expense) related to other comprehensive income	105	136
Balance at the end of the period	**28.591**	**43.661**

The company calculates its deferred income tax assets and liabilities by taking into account the effects of temporary differences that arise as a result of the different evaluations between the BRSA Accounting and Financial Reporting Legislation and the Tax Procedure Law in the balance sheet items.

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

10 OTHER ASSETS

Details of other assets as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Receivables from BITT accruals	8.097	334	5.001	181
Prepaid expenses	1.222	129	595	63
Other	88	314	192	298
	9.407	**777**	**5.788**	**542**

11 FUNDS BORROWED

Details of funds borrowed as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Funds borrowed	2.052.733	1.297.214	1.449.664	638.026
	2.052.733	**1.297.214**	**1.449.664**	**638.026**

Interest rates are the higher and lower rate interval for the variable and fixed rate loans as at 31 December 2021 and 31 December 2020.

	31 December 2021				31 December 2020			
			TL Equivalent				TL Equivalent	
	Original Amount	**Interest Rate (%)**	**Up to 1 Year**	**1 Year and over**	**Original Amount**	**Interest Rate (%)**	**Up to 1 Year**	**1 Year and over**
TL	2.052.733	19,75	2.052.733	-	1.449.664	15,98	1.449.664	-
USD	58.895	3,03	771.110	-	50.087	3,91	367.660	-
EURO	27.918	1,83	414.528	-	27.620	1,16	248.802	-
GBP	6.307	1,43	111.576	-	2.168	1,43	21.564	-
Total			**3.349.947**				**2.087.690**	

(*) As of 31 December 2021, TL 603.811 of TL loans (31 December 2020: TL 490.037) consists of loans received from Takasbank Money Market. For the loans obtained from Takasbank Money Market, TL 38.685 cash guarantee and TL 614.500 letter of guarantee were given (31 December 2020: TL 657 cash guarantee and TL 668.500 letter of guarantee was given).

As of 31 December 2021 and 31 December 2020, all other loans received are unsecured.

12 LEASE OBLIGATIONS

Details of lease obligations as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Nominal	9.131	-	4.351	1.180
Cost	(2.324)	-	(635)	(24)
Carrying Value	**6.807**	**-**	**3.716**	**1.156**

13 MARKETABLE SECURITIES ISSUED

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

Details of marketable securities issued as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Bonds				
Nominal	610.740	-	584.939	-
Cost	569.072	-	563.477	-
Carrying Value	**583.768**	**-**	**582.026**	**-**

The Company issued discounted bonds only for qualified investors.

1 January – 31 December 2021			**1 January – 31 December 2020**		
Date of issue	**Nominal value**	**Maturity**	**Date of issue**	**Nominal value**	**Maturity**
19.10.2021	261.019	15.04.2022	29.07.2020	144.887	22.01.2021
05.11.2021	228.001	02.03.2022	01.10.2020	168.054	05.01.2021
22.12.2021	65.420	17.06.2022	16.10.2020	199.997	14.01.2021
24.12.2021	56.300	24.03.2022	03.11.2020	72.000	01.02.2021
Total	**610.740**			**584.939**	

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

14 PROVISIONS

Details of provisions as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Provision for employee benefits	15.158	-	10.758	-
Provision for brokerage commissions	-	1.637	-	737
Provision for lawsuits	1.020	-	1.168	-
Other provisions	4.395	3.712	499	-
	20.573	**5.349**	**12.425**	**737**

14.1 Provision for Employee Benefits

Provision for employee benefits as at 31 December 2021 includes retirement pay provision amounting to TL 5.583 (31 December 2020: TL 4.208), unused vacation accrual amounting to TL 2.557 (31 December 2020: TL 1.682) and personnel bonus accrual amounting to TL 7.018 (31 December 2020: TL 4.868).

According to the Turkish Labour Law, the Company is obliged to pay severance pay for its personnel who have completed their one-year working period and whose relationship with the Company has been terminated or retired, who completed 25 years of service and earned their retirement, were called into the military or died. After the legislative change on May 23, 2002, some transitional clauses regarding the length of service before retirement were issued. The compensation to be paid is equal to one month's salary for each year of service and this amount is limited to 8,284.51 (full) TL (31 December 2020: 7,117.7 (full) TL) for the period from 1 July to 31 December 2021. The compensation to be paid is equal to one month's salary for each year of service.

The main assumption is that the maximum liability amount for each year of service will increase in line with inflation. Therefore, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation.

Therefore, as of 31 December 2021, provisions in the accompanying financial statements are calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. The provision at the balance sheet date is calculated using the assumptions of 15.80% annual inflation rate and 19.10% discount rate (31 December 2020: 9.70% annual inflation rate, 13% discount rate).

Movement of retirement pay provision as at 31 December 2021 and 31 December 2020 are as follows:

	1 January-31 December 2021	1 January-31 December 2020
Net liability at the beginning of the period	**4.208**	**2.920**
Severance indemnity paid in the period	(603)	(205)
Recognized under income statement	1.452	813
Retirement provision recognized under other comprehensive income	526	680
Net liability at the end of period	**5.583**	**4.208**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

14 PROVISIONS (continued)

14.1 Provision for Employee Benefits (continued)

Personnel Bonus Accrual

Movement of the personnel bonus provision as at 31 December 2021 and 31 December 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Balance at 1 January	**4.868**	**3.853**
Paid in the period	(3.164)	(2.386)
Reversal	(136)	(413)
Accrual for the period	5.450	3.814
Balance at the end of the period	**7.018**	**4.868**

Unused Vacation Accrual

The movement of unused vacation provisions as at 31 December 2021 and 31 December 2020 are as follows

	1 January- 31 December 2021	1 January- 31 December 2020
Balance at 1 January	**1.682**	**1.361**
Paid in the period	(300)	(102)
Reversal	-	(102)
Accrual for the period	1.175	525
Balance at the end of the period	**2.557**	**1.682**

14.2 Other Provisions

As of 31 December 2021, TL 1.637 has been reserved for correspondent expenses. TL 1,020 is provision for ongoing negative clearance lawsuits, TL 8,107 is provision for other lawsuits and expenses. (31 December 2020: TL 737 for correspondent expenses, TL 1.167 for ongoing negative clearance lawsuits, TL 500 for other lawsuits and uncollectible BMV reserves).

The movements of other provisions for the accounting periods ending on 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Balance at 1 January	**1.667**	**737**	**1.578**	**535**
Paid in the period	(945)	(737)	(549)	(535)
Accrual for the period	4.693	5.349	638	737
Balance at the end of the period	**5.415**	**5.349**	**1.667**	**737**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

15 OTHER LIABILITIES

Details of other liabilities as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Taxes payable	5.072	-	3.290	-
Liabilities to sellers	1.671	-	671	-
Remittances payable	-	1.469	-	1.765
Prepaid commissions	638	-	1.557	-
Temporary accounts payable	29	32	28	351
Other payables	57	11	19	4
Other liabilities	**7.467**	**1.512**	**5.565**	**2.120**

16 SHAREHOLDERS' EQUITY

16.1 Paid-in Capital

As of 31 December 2021, the Company's share capital is TL 79.500 (31 December 2020: TL 79.500). As of 31 December 2021, a total of 7.950.000.000 (31 December 2020: 7.950.000.000) shares of the Company were issued, including 4.004.242.970 privileged and 3.945.757.030 non-privileged shares with a value of Kr 1 (31 December 2020: Kr 1).

16.2 Capital Reserves

None (31 December 2020: None).

16.3 Other Comprehensive Income or Expense

As of 31 December 2021, the Company's accumulated other comprehensive income or expenses that will not be reclassified to profit or loss consist of severance pay actuarial losses/gains amounting to TL (1.590) and deferred tax effects (31 December 2020: severance pay actuarial loss/gains amounting to TL (1.170) income and deferred tax effect).

16.4 Accumulated Other Comprehensive Income or Expense

None (31 December 2020: None).

16.5 Profit Reserves

As at 31 December 2021, the Company's profit reserves comprise of the legal reserves amounting to TL 13.354 (31 December 2020: TL 10.757) and extraordinary reserves amounting to TL 121.906 (31 December 2020: TL 74.353).

16.6 Profit Distribution

Profit distribution table	**31 December 2020**
Net Profit for the year	50.150
Legal Reserves (-)	2.597
DISTRIBUTABLE NET PROFIT OF THE PERIOD	47.553
Donations (+)	93
Distributable net profit of the period (with Donations)	47.646
EXTRAORDINARY RESERVES	47.553

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

17 OPERATING INCOME

The details of operating income for the periods ended 31 December 2021 and 31 December 2020 are as follows:

	1 January- 31 December 2021	**1 January- 31 December 2020**
Factoring interest income	621.491	297.653
Factoring fee and commission income (net)	17.284	11.815
	638.775	**309.468**

18 FINANCE EXPENSES

The details of finance expenses for the periods ended 31 December 2021 and 31 December 2020 are as follows:

	1 January- 31 December 2021	**1 January- 31 December 2020**
Interest expenses on funds borrowed	320.305	161.436
Interest expenses on marketable securities issued	95.800	26.190
Financial lease expenses	1.171	417
Fees and commissions given	1.314	757
Other interest expense	587	706
	419.177	**189.506**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

19 OPERATING EXPENSES

The details of operating expenses for the periods ended 31 December 2021 and 31 December 2020 are as follows:

	1 January-31 December 2021	**1 January-31 December 2020**
Personnel expenses	39.872	30.025
Depreciation and amortization charges	9.856	9.272
IT maintenance and contract expenses	6.314	2.900
Consultancy expenses	1.885	1.085
Legal case expenses	1.466	1.072
Provision for retirement pays	1.452	813
Subscription expenses	907	763
Vehicle expenses	746	516
Communication expenses	741	845
Maintenance and repair expenses	435	701
Other	5.939	1.324
	69.613	**49.316**

The details of personnel expenses classified under operating expenses for the periods ended 31 December 2021 and 31 December 2020 are as follows:

	1 January-31 December 2021	**1 January-31 December 2020**
Salaries and wages	26.916	20.860
Bonuses	5.450	3.814
Social security premium employer's share	3.397	2.792
Insurance expenses	1.136	590
Personnel food expenses	739	578
Unemployment insurance employer's share	391	326
Per diem payments	360	336
Personnel transportation expenses	248	291
Other	1.235	438
	39.872	**30.025**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

20 OTHER OPERATING EXPENSES

The details of other operating expenses for the periods ended 31 December 2021 and 31 December 2020 are as follows:

	1 January-31 December 2021	1 January-31 December 2020
Foreign exchange profits	75.074	131.576
Expected losses provision cancellations (*)	22.057	11.528
Profits on derivative financial transactions	4.005	5.539
Interests received from securities	6.006	1.689
Interests received from banks	1.850	691
Litigation cancellations	945	-
Severance pay provision cancellation	660	-
Capital market transactions profit	443	345
Other	87	315
	111.127	**151.683**

(*) TL 75 includes the cancellation of the reserve set aside for time deposits/demand deposits and the cancellation of the default interest provision calculated for the third stage of TL 574 (31 December 2020: TL 39 banks provision cancellation for time/demand deposits and TL 705 the cancellation of the default interest provision calculated for the third stage).

21 PROVISIONS

The details of expected credit loss for the periods ended as at 31 December 2021 and 31 December 2020 are as follows:

	1 January-31 December 2021	1 January-31 December 2020
Stage 1 (*)	8.613	8.842
Stage 2	35	3.682
Stage 3 (**)	32.673	84.926
	41.321	**97.450**

(*) TL 331 expected loss provision for assets classified under Cash, Cash Equivalents and Central Bank is included (31 December 2020: TL 55 expected loss provision is included for assets classified under Cash, Cash Equivalents and Central Bank).

(**) TL 9.903 includes foreign currency increase in foreign currency expected loss provision and TL 458 default interest provision (31 December 2020: TL 62.561 includes foreign currency increase in expected accident provision for foreign currency and TL 788 default interest provision).

22 OTHER OPERATING EXPENSES

The details of other operating expenses for the periods ended 31 December 2021 and 31 December 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Foreign exchange losses	46.571	59.247
Losses on derivative financial transactions	263	252
Securities impairment expense	1	169
	46.835	**59.668**

23 EARNINGS PER SHARE

Calculation of earnings per share for the periods ended 31 December 2021 and 31 December 2020 are as follows:

	1 January – 31 December 2021	1 January – 31 December 2020
Net profit for the period	131.936	50.150
Weighted average number of shares with 1 KR of nominal value (thousand)	7.950.000	7.950.000
Earnings per thousand shares (KR)	**1.659,57**	**630,82**

24 RELATED PARTY TRANSACTIONS

The details of receivables and payables due from and due to related parties as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Bank balances				
Türkiye Garanti Bankası A.Ş.	91.547	10.352	1.552	3.786
Demand deposits	1.989	10.352	1.552	3.786
Term deposits	89.558	-	-	-
Garantibank International NV	1	10.514	1	6.244
Demand deposits	1	10.514	1	6.244
	91.548	**20.866**	**1.553**	**10.030**

As of 31 December 2021, the amount of checks and bills in custody with Türkiye Garanti Bankası AŞ regarding factoring receivables is 2.002.631 TL (31 December 2020: 1.353.879 TL).

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Funds borrowed				
Türkiye Garanti Bankası AŞ	782.364	680.731	596.110	413.332
Garantibank International NV	-	240.923	-	21.509
	782.364	**921.654**	**596.110**	**434.841**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

24 RELATED PARTY TRANSACTIONS (continued)

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Letter of guarantee:				
Türkiye Garanti Bankası A.Ş.	2.912	-	1.207	-
	2.912	**-**	**1.207**	**-**

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Miscellaneous Debts:				
Türkiye Garanti Bankası A.Ş.	795	-	57	-
	795	**-**	**57**	**-**

Income and expenses from related parties for the periods ended 31 December 2021 and 31 December 2020 are as follows:

	1 January – 31 December 2021	1 January – 31 December 2020
Interest from factoring receivables		
Garanti Bank International NV	-	1.643
	-	**1.643**

	1 January – 31 December 2021	1 January – 31 December 2020
Interest received from banks		
Türkiye Garanti Bankası A.Ş.	424	36
	424	36

	1 January – 31 December 2021	1 January – 31 December 2020
Interest on loans used		
Türkiye Garanti Bankası A.Ş.	130.807	75.783
Garanti Bank International NV	923	99
	131.730	**75.882**

	1 January - 31 December 2021	1 January – 31 December 2020
Fees and commissions given		
Garanti Yatırım Menkul Kıymetler A.Ş.	1.444	759
Türkiye Garanti Bankası A.Ş.	193	201
Garanti Bank International NV	115	64
	1.752	**1.024**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

24 RELATED PARTY TRANSACTIONS (continued)

General Administrative Expenses (*)	1 January – 31 December 2021	1 January – 31 December 2020
Türkiye Garanti Bankası AŞ	7.500	3.740
Garanti Filo Yönetim Hizmetler AŞ	2.282	1.416
Garanti Emeklilik ve Hayat AŞ	112	-
Garanti Finansal Kiralama AŞ	62	154
	9.956	**5.310**

(*) *General Administrative Expenses comprises of rent expense, IT maintenance and contract expenses, transaction commissions, car rental expenses, travelling expenses and insurance expenses.*

The details of off-balance sheet transactions from related parties for the periods ended 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Commitments:				
Türkiye Garanti Bankası A.Ş.	-	-	39.787	-
Securities sale transactions			39.787	
	-	**-**	**39.787**	**-**

	January- 31 December 2021	1 January- 31 December 2020
Profits from Financial Derivatives		
Türkiye Garanti Bankası A.Ş.	2.332	1.411
	2.332	**1.411**

Salary and other benefits provided to board members and executives:

The net payment amount provided/to be provided to the key managers of the Company, including the payments for those who left, is TL 3.731 for the accounting period ending on 31 December 2021 (31 December 2020: TL 3.633).

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

25 CONTINGENT ASSETS AND LIABILITIES

25.1 Guarantees Received

Guarantees received for the Company's factoring receivables as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Sureties received (*)	-	45.498.193	-	27.702.762
Finance notes	2.300	12.006.677	2.200	5.155.029
Correspondent guarantees	-	263.461	-	162.027
Insurance coverage	134.789	52.606	45.118	48.372
Securities pending	281	81.664	-	-
Mortgage	33.280	-	30.500	3.450
Other	448	-	375	-
	171.098	**57.902.601**	**78.474**	**33.121.183**

(*) Sureties received consist of the sum of amounts signed by each guarantor for every contract within the context of the factoring contracts.

25.2 Guarantees Given

Guarantees given as at 31 December 2021 and 31 December 2020 consist of letters of guarantee given to the institutions below:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Takasbank (Note 11)	614.500	-	668.500	-
Courts	5.640	85	5.981	47
Guarantees given to the reporter	-	-	-	16.382
Other	10	-	4	-
	620.150	**85**	**674.485**	**16.429**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

25 CONTINGENT ASSETS AND LIABILITIES (continued)

25.3 Commitments

As of 31 December 2021, the details of the securities sale agreements are as follows:

	31 December 2021		**31 December 2020**	
	TL	**FC**	**TL**	**FC**
Securities Sale Commitments	-	-	39.787	-
	-	**-**	**39.787**	**-**

25.4 Derivative Financial Instruments

The details of derivative agreements as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		**31 December 2020**	
	TL	**FC**	**TL**	**FC**
Currency swap buy transactions	-	-	48.801	-
Currency swap sell transactions	-	-	-	46.245
	-	**-**	**48.801**	**46.245**

25.5 Safety Securities

The details of cheques and notes in collection as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		**31 December 2020**	
	TL	**FC**	**TL**	**FC**
Cheques in collection	1.830.679	386.618	1.325.705	200.630
Notes in collection	22.290	39.006	10.981	27.719
	1.825.969	**425.624**	**1.336.686**	**228.349**

26 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

26.1 Financial Risk Management Purposes and Policies

The Company's risk management strategy aims to measure the risks in the framework of the Company's activities by considering the risk-return balance for the optimum allocation of the capital and growth.

In this context, for the purposes of establishing a companywide risk culture, the basic principles of risk management implementation are defined by analyzing risks according to the volume, nature and complexity of the Company's activities; ensuring compliance with international and local regulations; controlling risks for protection of financial strength for limiting any potential adverse effects of market conditions on capital and income; creating risk transparency and risk awareness.

26.1.1 Credit Risk

The Company is exposed to credit risk through its factoring transactions. The allocation and monitoring of credit risk management activities can be summarized as follows.

Under the credit allocation;

Credit committee of Garanti Faktoring A.Ş. assesses loan applications from customers on a weekly basis. Apart from this, authorized sub - committees can also grant loans by using their defined limits. Within the scope of the assessment, quality of receivables, borrower's credibility and the content of the trade are given particular importance. With the credit limit allocation, "limit validity time" application is applied, maximum limit is granted only for one year, but with the decision of the management the time limit can be reduced to shorter periods for control purposes.

During the assessment of credit allocations, determination of the credit risk and its management is carried out basically in two ways:

1. Criteria based limit allocation; a limit allocation is made to the appropriate buyer / seller side borrower company that complies with the criteria which are determined by the Credit Committee. These criteria would be revised if necessary, depending on the market conditions, sectoral developments and the results obtained from the current allocation process. If these criteria are no longer valid for a customer after the loan allocation, any other loan disbursements are stopped, and the risk liquidation process starts.

2. Standard analysis process; Credit allocations are made through the analysis made by the Credit Department within the scope of their limits.

Credit monitoring phase;

In order to monitor the allocated credits an early warning system has been developed. Periodically, customer credibility assessments are performed. In this context, overdraft checks, overdue factoring receivables and invoices are monitored on a daily basis and, if deemed necessary, additional intelligence investigations about customers are made.

For the due date checks, investigation department performs monthly risk controls and also assess concentration level by selecting certain customers from the total risk exposure. Then loan department reviews the work performed and re-assesses the loan limits for those selected customers.

In order to follow the customers with significant exposures, the top 20 borrowers with the highest risks, or the exposure to the related parties are reported to the Asset-Liability Committee on a weekly basis.

26 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

26.1 Financial Risk Management Purposes and Policies (continued)

26.1.2 Market Risk

The Company takes necessary precautions to safeguard itself according to the changing market conditions. The market risk is managed by taking the hedging positions and undertaking derivative transactions within the limits approved by the Board of Directors. The major cost element of the Company is the interest expenses from borrowings, and it may be affected by the fluctuations in the market.

In this context, under the monitoring of the senior management, debt maturities are managed with respect to the interest expectations in the market. In addition, to manage the cash flow and liquidity risk, the maturity of factoring receivables, bank loans and deposit accounts is monitored. Daily status reports are prepared and end of day open treasury operations are reported to senior management.

Foreign exchange risk is monitored by the end of day open position limits under the Treasury Transaction Limits and end of day open positions are reported to the Company's management.

26.1.3 Liquidity Risk

Liquidity Risk is managed by the Treasury and Asset Liability Committee within the framework of the risk management policies, in order to take the necessary measures timely and accurately to avoid the liquidity shortage due to the market conditions and the balance sheet structure.

Daily liquidity management is carried out by the Treasury Department. Treasury, while performing this task, considers early warning signals for possible liquidity shortages. Medium and long-term liquidity management is carried out by the Treasury in accordance with the Asset Liability Committee decisions.

The company policy for the liquidity management is designed to have the sufficient liquidity in order to, maintain funding, utilizing any investment opportunities, fulfilment of any credit demand and any possible liquidity shortage. The Company's funding is based on bank loans and bond issues. While constituting the asset structure to ensure efficient management of liquidity, following points are taken into consideration:

• Ease of liquidity,

• Ease of liquidity of collaterals received

The necessary diversification of assets and liabilities is provided in order to fulfil the payment obligations considering the related currencies. The Company monitors cash flows from assets and liabilities and predicts future liquidity needs in TL and FX liquidity management.

Early warning systems are established and monitored by taking into consideration of both the Company's own financial indicators as well as the Turkish capital market, macroeconomic data and global market indicators. The weight of the funding sources like borrowings and bonds in the liabilities, the counterparty transaction volume concentration and the maturity structure is monitored.

26 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

26.1 Financial Risk Management Purposes and Policies (continued)

26.1.4 Operational Risk

All operational risks are managed under the supervision of the Board of Directors and the Audit Committee in accordance with the framework that covers; risk identification, risk assessment, risk monitoring and risk control/mitigation. Each unit of the Company is responsible from their own operational risk monitoring, controlling and mitigating their operational risk by taking the necessary actions. The ultimate responsibility is on the relevant senior management.

In order to create an effective “internal control system”, the Company makes necessary organizational arrangements, establishes the appropriate communication and information systems and constitutes monitoring function.

Internal Audit Department is responsible from the audit of departments at headquarters and branches and investigation of any fraudulent activities performed by the staff or third parties. It is also responsible from creating a sound internal control environment and its coordination, and also carrying out of the Company’s operations within the legislation and regulations and in accordance with the Company management strategy and policy. In order to ensure compliance with national and international regulations, studies are carried out by the compliance officer in the scope of the strategy for the combat against the crime revenue and financing of terrorism.

The performance of the internal control system of the Company and the effectiveness of controlling operational risks is monitored regularly by the Internal Audit Department. In this context, system controls that constitute the internal control system, business cycle controls performed by the staff, organizational structure, segregation of duties, and basically general control environment are assessed.

This assessment can be performed centrally at the headquarters by utilizing computer-aided infrastructure or can be carried out traditionally by the “on site review”. In addition, those responsible from the emergency and contingency plans and their backups are designated.

For the purposes of legal risk management, available controls that are designed for monitoring of the compliance of the Company’s transactions with laws, internal policies and rules are monitored.

To strengthen the control environment in the operational areas, systemic or procedural limitations are applied. These limits that are set to limit the operational risks, are designed in accordance with the significance of the transactions for the Company, risk involved and probable amount of the loss and the qualifications of the staff. Limits are assessed and updated periodically depending on the needs. Operational risk limits are managed by determination of inconsistencies and approvals surrounding authorized signatures, authority over payments and transfers, accounting, purchase and sale and expense processes and loan disbursement process.

Operational risks are reported to the Audit Committee by the Internal Audit Department. In addition, the related business lines and units report their own operational risks to their respective senior management.

26 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

26.1 Financial Risk Management Purposes and Policies (continued)

26.1.5 Reputation Risk

The Board of Directors and the whole staff of the Company is responsible from the protection of the reputation of the Company. Human Resources and Internal Audit Department determines the principles of the ethical rules and code of conduct of the Company and monitor the compliance of the employees to those rules.

The Company tries to avoid any kind of operation that would create a reputational risk in the eyes of regulators, its customers and other market participants and perform its maximum effort to be beneficial to the society, nature and humanity. The Company performs it's all transactions and operations within the framework of compliance with the legislation, corporate governance principles, social, ethical and environmental principles.

In order to regulate the behavioural affairs of its employees and their business relationships, "Ethical Principles Procedure" and "Fraud and Unethical Behaviour Prevention Policy" documents are available as prepared by the Human Resources Department and Internal Audit Department. The Company is committed to the principles of corporate governance and shows maximum effort in the implementation of these principles. Annual report and website are regularly updated, within the framework of corporate governance principle.

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

26 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

26.1.6 Credit Risk

31 December 2021	**Factoring Receivables**		**Non-performing receivables**		**Other Assets**				
	Related Party	**Others**	**Related Party**	**Others**	**Related Party**	**Others**	**Cash and Cash Equivalents**	**Derivative Financial Assets Held for Trading**	**FVPL Financial Assets**
Maximum net credit risk as at balance sheet date (A+B+C+D+E)	**-**	**4.136.435**	**-**	**9.752**	**-**	**-**	**153.287**	**-**	**15**
A. Carrying value of financial assets that are not past due nor impaired	-	4.147.343	-	-	-	-	**153.287**	-	15
B. Net book value of financial assets whose terms are reassessed, if not accepted as past due nor impaired	-	-	-	-	-	-	-	-	-
C. Financial assets that are past due but not impaired	-	554	-	-	-	-	-	-	-
-carrying value	-	554	-	-	-	-	-	-	-
- the part under guarantee with collateral etc	-	-	-	-	-	-	-	-	-
D.Net book value of impaired assets	-	(11.462)	-	9.752	-	-	(345)	-	-
- Past due (gross carrying value)	-	-	-	68.703	-	-	-	-	-
- Impairment (-)	-	(11.462)	-	(58.951)	-	-	(345)	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-
- Not past due (gross carrying value)	-	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-
E. Off balance sheet items that include credit risk	-	-	-	-	-	-	-	-	-

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

26 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

26.1.6 Credit Risk (continued)

31 December 2020	**Factoring Receivables**		**Non-performing receivables**		**Other Assets**				
	Related Party	**Others**	**Related Party**	**Others**	**Related Party**	**Others**	**Banks**	**Derivative Financial Assets Held for Trading**	**FVPL Financial Assets**
Maximum net credit risk as at balance sheet date (A+B+C+D+E)	**-**	**2.776.169**	**-**	**12.678**	**-**	**-**	**12.405**	**1.921**	**39.670**
A. Carrying value of financial assets that are no past due nor impaired	-	2.793.137	-	-	-	-	12.503	**1.921**	**39.670**
B. Net book value of financial assets whose terms are reassessed, if not accepted as past due nor impaired	-	-	-	-	-	-	-	-	-
C. Financial assets that are past due but not impaired	-	1.192	-	-	-	-	-	-	-
-carrying value	-	1.192	-	-	-	-	-	-	-
- the part under guarantee with collateral etc	-	-	-	-	-	-	-	-	-
D.Net book value of impaired assets	-	(18.160)	-	12.678	-	-	(98)		-
- Past due (gross carrying value)	-	-	-	132.240	-	-	-	-	-
- Impairment (-)	-	(18.160)	-	(119.562)	-	-	(98)		-
-The part of net value under guarantee wit collateral etc.	-	-	-	-	-	-	-	-	-
- Not past due (gross carrying value)	-	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-
E. Off balance sheet items that include credit risk	-	-	-	-	-	-	-	-	-

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

26 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

26.2 Explanations on Risk Management (continued)

26.2.2 Liquidity Risk

The following table provides an analysis for the Company's financial liabilities by grouping the contractual maturities as at the balance sheet date. Amounts in the following table are the undiscounted contractual cash flows:

31 December 2021

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows	Less than 3 months	3-12 months	1-5 years
Non-derivative financial liabilities	**3.958.723**	**4.058.077**	**2.959.947**	**1.092.003**	**6.126**
Funds borrowed	3.349.947	3.420.005	2.656.646	763.359	-
Securities issued	583.768	610.740	284.301	326.439	-
Factoring payable	18.201	18.201	18.201	-	-
Payable leasing transactions	6.807	9.131	799	2.205	6.126

31 December 2020

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows	Less than 3 months	3-12 months	1-5 years
Non-derivative financial liabilities	**2.677.874**	**2.722.446**	**2.249.586**	**469.738**	**3.122**
Funds borrowed	2.087.690	2.128.690	1.660.392	468.298	-
Securities issued	582.026	584.939	584.939	-	-
Factoring payable	3.286	3.286	3.286	-	-
Payable leasing transactions	4.872	5.531	969	1.440	3.122

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows	Less than 3 months	3-12 months	1-5 years
Derivative financial liabilities and foreign exchange buy-sell commitments	**2.512**	**2.512**	**2.512**	**-**	**-**
Derivative cash inflows	48.801	48.801	48.801	-	-
Derivative cash outflows	46.289	46.289	46.289	-	-

(*) The fair value of derivative financial assets is TL 1.921.

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

26 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

26.2 Explanations on Risk Management (continued)

26.2.3 Market Risk

Foreign currency risk

Foreign currency risk is the risk arising from the value changes on financial instruments related with the change in exchange rates. The Company is exposed to currency risk due to its foreign currency borrowings. The currencies that the foreign currency risk of the Company mainly arises from are USD, Euro and GBP. As the financial statements of the Company are presented in TL, the financial statements are affected by fluctuations in these exchange rates against TL. The Company's net short/ (long) position arises from the assets, liabilities and derivative financial instruments in foreign currencies as at 31 December 2021 and 31 December 2020.

Foreign currency assets and liabilities as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021 (TL equivalent)	31 December 2020 (TL equivalent)
A. Foreign currency monetary assets	1.331.236	718.033
B. Foreign currency monetary liabilities	(1.320.113)	(644.686)
C. Derivative financial instruments	-	(46.245)
Net foreign currency position (A+B+C)	**11.123**	**27.102**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

26 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

26.2 Explanations on Risk Management (continued)

26.2.3 Market Risk (continued)

Currency Risk (continued)

The table below summarizes the Company's foreign currency position in detail as at 31 December 2021 and 31 December 2020. Carrying amounts of the Company's foreign currency monetary assets and liabilities are presented with their original currencies:

31 December 2021	**USD**	**EURO**	**GBP**	**Total**
Assets				
Cash and cash equivalents	9.805	7.971	4.543	22.319
Financial assets at fair value through profit or loss	-	15	-	15
Factoring receivables (Net)	772.380	428.513	107.362	1.308.255
Other Assets (*)	240	404	3	647
Total assets	**782.425**	**436.903**	**111.908**	**1.331.236**
Liabilities				
Funds borrowed	771.110	414.528	111.576	1.297.214
Factoring payables	1.927	11.939	2.172	16.038
Sundry creditors and other liabilities	572	6.107	182	6.861
Total liabilities	**773.609**	**432.574**	**113.930**	**1.320.113**
Net foreign currency position	**8.816**	**4.329**	**(2.022)**	**11.123**
Derivative Financial Assets	-	-		-
Net position	**8.816**	**4.329**	**(2.022)**	**11.123**

(*) Prepaid expense amounting to TL 130 that is presented in other assets is excluded from the table.

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

26 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

26.2 Explanations on Risk Management (continued)

26.2.3 Market Risk (continued)

31 December 2020	USD	EURO	GBP	Total
Assets				
Cash and cash equivalents	2.603	3.546	3.998	10.147
Financial assets at fair value through profit or loss	-	9	-	-
Factoring receivables (Net)	422.676	258.661	26.061	707.398
Other assets (*)	151	327	1	479
Total Assets	**425.430**	**262.543**	**30.060**	**718.033**
Liabilities				
Funds borrowed	367.660	248.802	21.654	638.026
Factoring payables	1.209	1.118	320	2.647
Sundry creditors and other liabilities	515	2.802	696	4.013
Total liabilities	**369.384**	**252.722**	**22.580**	**444.686**
Net foreign currency position	**56.046**	**9.821**	**7.480**	**73.347**
Derivatives	(46.245)			(46.245)
Net position	**9.801**	**9.821**	**7.480**	**27.102**

(*) Prepaid expense amounting to TL 63 that is presented in other assets is excluded from the table.

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

26 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

26.2 Explanations on Risk Management (continued)

26.2.3 Market Risk (continued)

Foreign currency sensitivity risk

10% decrease in the TL against the relevant foreign currencies as at 31 December 2021 results in an increase in profit before tax for the period amounting to TL 1.112 (31 December 2020: TL 2.710 increase). This analysis is made with the assumption that the other variables were held constant as at 31 December 2021 and 31 December 2020.

TL **31 December 2021**	**Profit/(Loss)**
USD	881
EURO	433
GBP	(202)
Total	**1.112**

TL **31 December 2020**	**Profit/(Loss)**
USD	980
EURO	982
GBP	748
Total	**2.710**

Interest Rate Risk

Weighted average effective interest rates applied to financial instruments as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021				**31 December 2020**			
	USD (%)	**EURO (%)**	**GBP (%)**	**TL (%)**	**USD (%)**	**EURO (%)**	**GBP (%)**	**TL (%)**
Assets								
Time deposit	-	-	-	23,50	-	-	-	17,97
Factoring receivables	4,79	3,77	3,32	27,02	6,18	3,07	5,45	22,32
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	5,35
Funds borrowed	3,03	1,83	1,43	19,75	3,91	1,16	1,77	15,98
Marketable securities issued	-	-	-	21,50	-	-	-	12,98

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

26 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

26.2 Explanations on Risk Management (continued)

26.2.3 Market Risk (continued)

Interest rate risk sensitivity analysis

The Company's financial instruments that have interest rate sensitivity as at 31 December 2021 and 31 December 2020 are as follows:

	Carrying Value	
Fixed Rate	**31 December 2021**	**31 December 2020**
Factoring receivables	3.127.298	1.883.291
Financial assets at fair value through profit or loss	-	39.661
Time deposit	128.243	657
Funds borrowed	3.002.971	1.755.528
Marketable securities issued	583.768	582.026
Floating Rate		
Factoring receivables	1.020.599	911.038
Funds borrowed	346.976	332.162

If the interest rate on the renewal date of the variable rate factoring receivables and loans in Turkish Lira and foreign currency at 31 December 2021 was 100 basis points higher/lower and all other variables remained constant, the profit for the period before tax as a result of high/low interest expense consisting of variable rate financial instruments TL 6.736 (31 December 2021: TL 5.789) would be higher/lower.

Capital Risk Management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the profit through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt, cash and cash equivalents and equity comprising issued capital, reserves and retained earnings disclosed in Note 16.

It is shown by the management reviews the cost of capital and the risks associated with each class of capital. As part of this review, the management considers the cost of capital and the risks associated with each class of capital and presents to the Board of Directors for approval.

The overall strategy of the Company did not differ materially from the prior period.

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

27 FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The Company has calculated fair values of financial instruments using available market information and appropriate valuation methodologies. However, as the judgment is necessary to interpret market data to determine the estimated fair value, the calculated fair values may not be fully reflective of the value that could be realized in the current circumstances. Management assumes that the fair values of financial assets and liabilities at amortized cost including cash and banks, factoring receivables and short term bank loans denominated in TL approximate their carrying values due to their short term nature.

Fair Value of Financial Instruments Classification

The table below presents the fair value determination method of the financial instruments at fair value as at 31 December 2021 and 31 December 2020. The method for each level is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

As at 31 December 2021, the Company does not have derivative financial assets and derivative financial liabilities.

31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss (Net)	15	-	-	15
Derivative financial assets held for trading	-	-	-	-
	15	**-**	**-**	**15**
Derivative financial liabilities	-	-	-	-
	-	**-**	**-**	**-**

31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss (Net)	39.670	-	-	39.670
Derivative financial assets held for trading	-	1.921	-	1.921
	39.670	**1.921**	**-**	**41.591**
Derivative financial liabilities	-	252	-	252
	-	**252**	**-**	**252**

(Amounts are expressed in Turkish Lira (thousands of “TL”) unless otherwise indicated.)

28 FEES RELATED WITH THE SERVICES PROVIDED BY INDEPENDENT AUDIT COMPANY

The explanation regarding the fees for the services rendered by independent audit firms, prepared by the POA pursuant to the Board Decision published in the Official Gazette on 30 March 2021, and the preparation principles of which are based on the letter of the POA dated 19 August 2021 are as follows:

	1 January-31 December 2021	**1 January-31 December 2020**
Independent audit fee	300.000	212.000
IT audit services	-	65.000
	300.000	**277.000**

29 EVENTS AFTER THE REPORTING PERIOD

None.